



# MEMORANDUM

---

**Date:** May 25, 2017

File No.: 7126

**To:** The Honorable Betty Yee  
California State Controller  
300 Capitol Mall, Suite 1850  
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 Controller's Office (SCO). 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).

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

We greatly appreciated the cooperation and assistance provided by SCO'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](mailto:Dennis.Miras@dgs.ca.gov), or Monica De La Rosa, Management Auditor-in-Charge, at (916) 376-5050 / [Monica.DeLaRosa@dgs.ca.gov](mailto:Monica.DeLaRosa@dgs.ca.gov).

*Dennis M Miras*

DENNIS M MIRAS, CIA  
Manager, Office of Audit Services

Attachment

cc: Christian Okoye, Chief, Management Audit and Review Services  
Richard Chivaro, Chief Legal Counsel

**GOVERNMENT OPERATIONS AGENCY  
DEPARTMENT OF GENERAL SERVICES**

**AUDIT OF THE  
STATE CONTROLLER'S  
OFFICE**

**FOR COMPLIANCE WITH STATE  
BUSINESS MANAGEMENT POLICIES  
REPORT NO. 7126**

**OFFICE OF AUDIT SERVICES**

**MARCH 2017**

**STATE CONTROLLER'S OFFICE  
COMPLIANCE AUDIT  
REPORT NO. 7126**

**TABLE OF CONTENTS**

	<u>PAGE</u>
AUDITOR'S REPORT.....	1

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

DATE: May 25, 2017

TO: **THE HONORABLE BETTY YEE**, California State Controller  
State Controller's Office

This report presents the results of our compliance audit of the business management functions and services of the State Controller's Office (SCO). 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, surplus property and real estate. Our audit was conducted in accordance with U.S. generally accepted auditing standards.

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 2015/16 and 2016/17 fiscal years.

Based on the results of our fieldwork conducted over the period January 30, 2017 through March 28, 2017, we concluded that SCO is conducting its business management functions and services in compliance with state requirements. However, we did identify an area for improvement with SCO's State Fleet Card Program. This matter included our concern that SCO's business management policies and procedures were not ensuring compliance with the State Fleet Card Program requirements. Specifically, appointing a Fleet Card Coordinator with oversight responsibilities, drafting and implementing fleet card policies and procedures, completing the annual certification form, and having authorized staff sign the user agreements. Since this area is not significant to the overall business management functions and services of SCO, it is not discussed further in this report. However, it was discussed with appropriate SCO management personnel who indicated that our concerns would be addressed.

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

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

If you have any questions, please call me at (916) 376-5064, or Monica De La Rosa, at (916) 376-5050.

*Dennis M Miras*

DENNIS M MIRAS, CIA  
Manager, Office of Audit Services

Staff: Monica De La Rosa, Management Auditor-in-Charge  
Eric Kim, Management Auditor

cc: Christian Okoye, Chief, Management Audit and Review Services  
Richard Chivaro, Chief Legal Counsel