



MEMORANDUM

Date: April 16, 2018

File No.: 8121

To: Patrick W. Henning Jr., Director
Employment Development Department
800 Capitol Mall, MIC 83
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 Employment Development Department (EDD). 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).

EDD's written response to our draft report is included in the final report. The report also includes our evaluation of the response. We are pleased with the actions taken to address our recommendations.

As part of its operating responsibilities, the Office of Audit Services is responsible for following up on audit recommendations. However, due to the sufficient corrective measures taken to date, no additional follow-up activities or corrective actions are necessary.

We greatly appreciated the cooperation and assistance provided by EDD 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 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: Tad Allred, Deputy Director, Administration Branch
Greg Graff, Chief, Northern Facilities Planning Section
Sheri Huber, Chief, Business Operations Planning and Support Division
Terri Jennings, Chief, Human Resource Services Division
Melanie Meeks, Chief, Administration Section
Greg Riggs, Deputy Director, Policy, Accountability and Compliance Branch
Audrey Traina, Chief, Audit and Evaluation Division

**GOVERNMENT OPERATIONS AGENCY
DEPARTMENT OF GENERAL SERVICES**

**AUDIT OF THE
EMPLOYMENT DEVELOPMENT
DEPARTMENT**

**FOR COMPLIANCE WITH STATE
BUSINESS MANAGEMENT POLICIES
REPORT NO. 8121**

OFFICE OF AUDIT SERVICES

JANUARY 2018

**EMPLOYMENT DEVELOPMENT DEPARTMENT
COMPLIANCE AUDIT
REPORT NO. 8121**

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STATE OF CALIFORNIA
DEPARTMENT OF GENERAL SERVICES
AUDITOR'S REPORT

DATE: April 16, 2018

TO: **PATRICK W. HENNING JR.**, Director
Employment Development Department

This report presents the results of our compliance audit of the business management functions and services of the Employment Development Department (EDD). 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.

While in most areas we concluded that EDD 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 EDD in addressing these areas.

- EDD's driver safety and insurance program is not ensuring that: 1) frequent drivers attend a defensive driver training course once every four years; and 2) 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 that we discussed with EDD'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, EDD'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. EDD'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 greatly appreciated the cooperation and assistance provided by EDD'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: Tad Allred, Deputy Director, Administration Branch
Greg Graff, Chief, Northern Facilities Planning Section
Sheri Huber, Chief, Business Operations Planning and Support Division
Terri Jennings, Chief, Human Resource Services Division
Melanie Meeks, Chief, Administration Section
Greg Riggs, Deputy Director, Policy, Accountability and Compliance Branch
Audrey Traina, Chief, Audit and Evaluation Division

EMPLOYMENT DEVELOPMENT DEPARTMENT

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 Employment Development Department (EDD) 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 attendance of defensive driver training by frequent drivers and annual certification and authorization to use privately owned vehicles on state business.

This information was developed based on our fieldwork conducted over the period August 25, 2017 through January 9, 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 2017/18 fiscal year.

DRIVER SAFETY AND INSURANCE PROGRAM¹

EDD 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, repairs to state vehicles, workers' compensation and lost work time 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 areas need strengthening:

- e **Defensive Driver Training** – our review of 105 frequent drivers identified 15 who had not yet taken a defensive driver training course. SAM Section 0751 provides that frequent drivers should attend and successfully complete an approved defensive driver training course at least once every four years.
- e **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 20 of 36 employees who used their own vehicle on state business. Of these, 15 were either not current or on file and were only updated during field-work upon auditor request; five remained out of compliance. EDD's travel policies provide that the STD. 261 be renewed annually and be kept on file by the employee's authorizing supervisor. As shown by the results of our review, these policies have not been entirely effective.

¹ These two conditions previously existed and were included in our audit report to EDD dated March 2012

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:

- e Covered by liability insurance for the minimum amount prescribed by law;e
- e Adequate for work performed;e
- e Equipped with safety belts; and,e
- e In safe mechanical condition.e

Recommendations

- 1.e Update existing policies and procedures and periodically reemphasize to operating unite managers and supervisors their responsibility for ensuring that employees who frequently drive on state business attend an approved defensive driver training course at least once every four years. Frequent drivers that have not taken this course within the last four years should be scheduled to do so as soon as possible.e
- 2.e Enforce current 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 statee business. This process should include an annual notification to managers/supervisors ofe their responsibility for ensuring the completion and updating of the form.e

CONCLUSION

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



M E M O R A N D U M

To: Dennis M. Miras, CIA
Department of General Services, Z-01
Office of Audit Services

Date: April 10, 2018

File No.:

From: Patrick W. Henning
Employment Development Department

Subject: AUDIT RESPONSE: COMPLIANCE WITH STATE BUSINESS MANAGEMENT
POLICIES REPORT NO. 8121

The EDD has received the Department of General Services official draft audit report for Compliance with State Business Management Policies Report No. 8121. The EDD agrees with the recommendations for improvement:

EDD's driver safety and insurance program is not ensuring that:

- 1) Frequent drivers attend a defensive driver training course once every four years; and
- 2) Employees who use their own vehicle to conduct state business complete and annually update a vehicle certification form.

To improve these processes, EDD's annual Travel Bulletin 2017-08, issued on November 17, 2017 (see attached), has been updated to state, in part:

- 1) "Employees who operate any vehicles on official state business must have a valid California driver's license, insurance, and a good driving record. Per the State Administrative Manual, Section 0751, agencies should request drivers' records annually. It is the cost center manager's responsibility to review the driving records of staff who drive on state business. Employees expected to drive on state business are required to complete Defensive Driver training as soon as possible after date of hire and every four years thereafter. Defensive Driver Training course information can be located in the State Administrative Manual, Section 0752."
- 2) "In accordance with the State Administrative Manual, Section 0753, an Authorization to Use Privately Owned Vehicles on State Business, STD. 261, must be approved prior to an individual using a privately owned vehicle to conduct official state business. The STD. 261 certifies that the driver has a valid driver's license, the vehicle will always be covered by liability insurance, be equipped with seat belts in operating condition, and is in legally safe mechanical condition. The STD. 261 must be renewed annually and be kept on file by the employee's authorizing supervisor."

AUDIT RESPONSE: COMPLIANCE WITH STATE BUSINESS MANAGEMENT
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In addition, it is the supervisor's responsibility to verify that there is a current STD. 261 on file for an employee before signing a TEC [Travel Expense Claim] when a privately owned vehicle is used to conduct state business."

If you have any questions regarding EDD's process improvements to address EDD's driver safety and insurance program, please contact Jon Center at jonathan.center@edd.ca.gov or (916) 654-9786.



PATRICK W. HENNING
Director

Attachments

cc: Jon Center, MIC 70

**EMPLOYMENT DEVELOPMENT DEPARTMENT
(EDD)**

COMPLIANCE AUDIT

EVALUATION OF EDD'S RESPONSE

We have reviewed the response by the Employment Development Department (EDD) to our draft report. The response to the recommendations is satisfactory. We appreciate the efforts taken or being taken by EDD to improve its business management functions and services.

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