



MEMORANDUM

Date: June 12, 2019 File No.: 9124

To: **Scott Smithline**, Director
California Department of Resources Recycling and Recovery (CalRecycle)
1001 I Street, 19th 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 California Department of Resources Recycling and Recovery (CalRecycle). 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).

CalRecycle'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. Therefore, please submit a status report on the implementation of each to us by December 12, 2019.

To the extent that it is practicable, the corrective action plan (CAP) and status report should be specific and supporting documentation should include: copies of procedures created for compiling STD. 810 report information; sample copies of revised templates used for tracking STD. 810 data; and, sample copies of recently sent email communications regarding the use of state vehicles and timely reporting of motor vehicle accidents.

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 greatly appreciated the cooperation and assistance provided by CalRecycle'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, or Christopher Harris, Management Auditor, at (916) 376-5059 / Chris.Harris@dgs.ca.gov.

Dennis M Miras

DENNIS M MIRAS, CIA
Manager, Office of Audit Services

Attachment

cc: Ken DaRosa, Chief Deputy Director
Sarah Keck, Deputy Director
Vicki Camp, Manager, Business Administration Section

**GOVERNMENT OPERATIONS AGENCY
DEPARTMENT OF GENERAL SERVICES**

**AUDIT OF THE
CALIFORNIA DEPARTMENT OF
RESOURCES RECYCLING
AND RECOVERY
(CALRECYCLE)**

**FOR COMPLIANCE WITH STATE
BUSINESS MANAGEMENT POLICIES
REPORT NO. 9124**

OFFICE OF AUDIT SERVICES

FEBRUARY 2019

**CALIFORNIA DEPARTMENT OF
RESOURCES RECYCLING
AND RECOVERY**

**COMPLIANCE AUDIT
REPORT NO. 9124**

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STATE OF CALIFORNIA
DEPARTMENT OF GENERAL SERVICES
AUDITOR'S REPORT

DATE: June 12, 2019

TO: **Scott Smithline**, Director
California Department of Resources Recycling and Recovery (CalRecycle)

This report presents the results of our compliance audit of the business management functions and services of the California Department of Resources Recycling and Recovery (CalRecycle). 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 (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 CalRecycle 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 CalRecycle in addressing these issues:

- Participation policies and procedures governing SB and DVBE usage are not ensuring that backup support documentation is maintained to ensure contracting dollars are accurately being reported on the Contracting Activity Report (STD. 810).
- Motor vehicle accidents are not being reported to DGS' Office of Risk and Insurance Management in a timely manner.

During our review we also identified other matters requiring attention that we discussed with CalRecycle'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, CalRecycle's management agreed to take action to address our concerns. Further, CalRecycle's management does have 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 all the cooperation and assistance provided by CalRecycle's personnel.

Scott Smithline, Director

June 12, 2019

If you need further information or assistance on this report, please contact me at (916) 376-5064, or Christopher Harris, at (916) 376-5059.

Dennis M Miras

DENNIS M MIRAS, CIA
Manager, Office of Audit Services

Staff: Christopher Harris, Management Auditor, MPA

cc: Ken DaRosa, Chief Deputy Director
Sarah Keck, Deputy Director
Vicki Camp, Manager, Business Administration Section

**CALIFORNIA DEPARTMENT OF RESOURCES
RECYCLING AND RECOVERY
(CALRECYCLE)**

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 California Department of Resources Recycling and Recovery (CalRecycle) 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 documenting and reconciling of SB & DVBE contracting activity and timely reporting of all motor vehicle accidents.

This information was developed based on our fieldwork conducted over the period October 11, 2018 through February 25, 2019. In addition to this written report, as findings were observed and developed during our audit fieldwork, CalRecycle's management was promptly advised of any areas of concern so that they could begin taking corrective action. Further, at our February 2019 audit exit conference, CalRecycle 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.

SB and DVBE PARTICIPATION PROGRAMS

Our review of CalRecycle's FY 2017-18 Contracting Activity Report (STD. 810) revealed that the current processes in place to ensure the completeness and accuracy of the data being reported are not working as intended. Specifically, we found that not all of the STD. 810's back-up documentation used to complete the report were being fully maintained nor did the available supporting documentation reconcile to the captured and reported data.

Recommendation

1. Strengthen existing policies and procedures to ensure all back-up documentation used to generate the Contracting Activity Report (STD. 810) is maintained. Additionally, institute quality control measures that will ensure all data reported reconciles to supporting records.

REPORTING OF VEHICLE ACCIDENTS

Existing policies and procedures in place to facilitate the timely reporting of motor vehicle accidents to DGS' Office of Risk and Insurance Management (ORIM) are not consistently operating as intended. Specifically, during our review of CalRecycle's accident reporting process for the period January 2018 through October 2018, while just five vehicle accidents were identified, none were reported to ORIM on time, with the oldest being reported 118 days after the accident had occurred.

To allow it to effectively administer the state's motor vehicle self-insurance program, SAM Section 2430 provides that a Report of Vehicle Accident (STD. 270) form be submitted to ORIM within 48 hours of an accident.

Recommendation

2. Strengthen policies and procedures to ensure that a motor vehicle accident report is submitted to ORIM within 48 hours of an accident.

CONCLUSION

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

**DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY**

1001 I STREET, SACRAMENTO, CALIFORNIA 95814 • WWW.CALRECYCLE.CA.GOV • (916) 322-4027
P.O. BOX 4025, SACRAMENTO, CALIFORNIA 95812

June 5, 2019

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

Dear Mr. Miras:

Thank you for the opportunity to review and comment on the May 2019, Compliance with State Business Management Policies, Report No. 9124. The Department of Resources Recycling and Recovery (CalRecycle) concurs with the results of the audit, and has addressed the following findings:

Finding: SB and DVBE Participation Programs**Condition:**

Review of CalRecycle's FY 2017-18 Contracting Activity Report (STD. 810) revealed that the current processes in place to ensure the completeness and accuracy of the data being reported are not working as intended. Specifically, we found that not all of the STD. 810's back-up documentation used to complete the report were being fully maintained nor did the available supporting documentation reconcile to the captured and reported data.

Recommendation:

Strengthen existing policies and procedures to ensure all back-up documentation used to generate the Contracting Activity Report (STD. 810) is maintained. Additionally, institute quality control measures that will ensure all data reported reconciles to supporting records.

CalRecycle Response:

Management is addressing this by creating procedures for compiling report information. In addition, templates for tracking data are being revised to ensure the correct information is captured.



Finding: Reporting of Vehicle Accidents

Condition:

Existing policies and procedures in place to facilitate the timely reporting of motor vehicle accidents to DGS' Office of Risk and Insurance Management (ORIM) are not consistently operating as intended. Specifically, during our review of CalRecycle's accident reporting process for the period January 2018 through October 2018, while just five vehicle accidents were identified, none were reported to ORIM on time, with the oldest being reported 118 days after the accident had occurred.

To allow it to effectively administer the state's motor vehicle self-insurance program, SAM Section 2430 provides that a Report of Vehicle Accident (STD. 270) form be submitted to ORIM within 48 hours of an accident.

Recommendation:

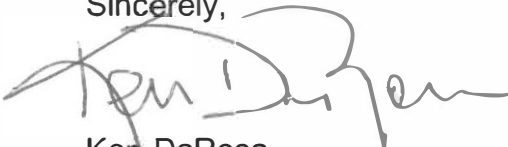
Strengthen policies and procedures to ensure that a motor vehicle accident report is submitted to ORIM within 48 hours of an accident.

CalRecycle Response:

CalRecycle has furthered its outreach with email communications to all staff about the use of state vehicles. In addition, staff presented a presentation to employees who will be deployed in the field as part of the department's disaster debris removal efforts, and may use state vehicles, regarding the importance of safety and reporting any and all accidents with the required 48 hour timeframe.

Thank you for the opportunity to respond to the Draft Audit Report. Should you have any questions or concerns regarding our response, please contact Sarah Keck at (916) 341-6177.

Sincerely,



Ken DaRosa
Chief Deputy Director

**CALIFORNIA DEPARTMENT OF RESOURCES
RECYCLING AND RECOVERY
(CALRECYCLE)**

COMPLIANCE AUDIT

EVALUATION OF CALRECYCLE'S RESPONSE

We have reviewed the response by the California Department of Resources Recycling and Recovery (CalRecycle) to our draft report. The response to the recommendations is satisfactory. We appreciate the efforts taken or being taken by CalRecycle 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, the corrective action plan (CAP) and status report should be specific and supporting documentation should include: copies of procedures created for compiling STD. 810 report information; sample copies of revised templates used for tracking STD. 810 data; and, sample copies of recently sent email communications regarding the use of state vehicles and timely reporting of motor vehicle accidents.