



MEMORANDUM

Date: April 5, 2019 File No.: 9122

To: **Karla Nemeth**, Director
California Department of Water Resources
P.O. Box 942836
Sacramento, CA 94236-0001

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 Water Resources (DWR). 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).

DWR'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 October 7, 2019.

To the extent that it is practicable, supporting documentation should include: a sample copy of the formal communication that occurred with DWR management, Administrative Officers and staff regarding vehicle accident reporting requirements; excerpts of the accident reporting component from the "strengthened" Supervisory Training course; any data collected resulting from the tracking of lapsed time between accidents and reporting; and, a copy of the Annual State Agency Defensive Driver Training Report due to DGS by September 1, 2019.

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 DWR's personnel.

Karla Nemeth, Director

April 5, 2019

If you have any questions, please call / e-mail me at (916) 376-5064 / Dennis.Miras@dgs.ca.gov, or Eric Kim, Management Auditor, at (916) 376-5071 / Eric.Kim@dgs.ca.gov.

Dennis M Miras

DENNIS M MIRAS, CIA
Manager, Office of Audit Services

Attachment

cc: David Whitsell, Chief, Audit Division
Kathie Kishaba, Deputy Director, Business Operations

**GOVERNMENT OPERATIONS AGENCY
DEPARTMENT OF GENERAL SERVICES**

**AUDIT OF THE
DEPARTMENT OF WATER
RESOURCES**

**FOR COMPLIANCE WITH STATE
BUSINESS MANAGEMENT POLICIES
REPORT NO. 9122**

OFFICE OF AUDIT SERVICES

FEBRUARY 2019

DEPARTMENT OF WATER RESOURCES

**COMPLIANCE AUDIT
REPORT NO. 9122**

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STATE OF CALIFORNIA
DEPARTMENT OF GENERAL SERVICES
AUDITOR'S REPORT

DATE: April 5, 2019

TO: **Karla Nemeth**, Director
Department of Water Resources

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

- Motor vehicle accidents are not being reported to DGS' Office of Risk and Insurance Management within 48 hours of the accident.
- DWR's driver safety and insurance program is not ensuring that the State Agency Defensive Driver Training Report is submitted to DGS annually.

During our review we also identified other matters requiring attention that we discussed with DWR'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, DWR'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. DWR'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 sincerely appreciate the cooperation and assistance provided by DWR's personnel.

Karla Nemeth

April 5, 2019

If you need further information or assistance on this report, please contact me at (916) 376-5064, or Eric Kim, at (916) 376-5071.

Dennis M Miras

DENNIS M MIRAS, CIA
Manager, Office of Audit Services

Staff: Eric Kim, Management Auditor

cc: David Whitsell, Chief, Audit Division
Kathie Kishaba, Deputy Director, Business Operations

DEPARTMENT OF WATER RESOURCES

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 Water Resources (DWR) 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 timely reporting of all motor vehicle accidents and submission of an annual defensive driver training report.

This information was developed based on our fieldwork conducted over the period August 15, 2018 through February 1, 2019. In addition to this written report, as findings were observed and developed during our audit fieldwork, DWR's management was promptly advised of any areas of concern so that they could begin taking corrective action. Further, at our February 5, 2019 audit exit conference, DWR 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 2016/17 and 2017/18 fiscal years.

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. Our review of DWR's accident reporting process for the 2017 calendar year revealed several accidents which were reported to ORIM late. More specifically, we identified 36 (46%) out of 79 total accidents during this period which were reported anywhere from six to 93 days after occurrence, with the average time taken to report totaling 21 days after the accident. 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

1. Strengthen current policies and procedures, including training on and reminding drivers of the importance of timely and accurate reporting, to ensure that a motor vehicle accident report is submitted to ORIM within 48 hours of an accident.

DRIVER SAFETY AND INSURANCE PROGRAM

DWR did not submit its Annual State Agency Defensive Driver Training Report, which is due to DGS by September 1 of each year (Management Memo 11-04), timely. The report contains defensive driver training information for the preceding fiscal year, including data on the number of employees required to take the training for the reporting fiscal year and the number of employees completing the training.

Recommendation

2. Submit the Annual State Agency Defensive Driver Training Report to DGS by September 1 of each year.

CONCLUSION

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

Memorandum

Date: **MAR 25 2019**

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

From: **Department of Water Resources**

Subject: **DGS Compliance Audit -- Business Management Policies**

Thank you for the opportunity to review and comment on a draft copy of the recently completed DGS compliance audit of the Department of Water Resources (DWR) business management functions and services. We believe the current findings provide an accurate assessment and generally agree with the recommendations for the two findings and have already undertaken corrective measures. Specifically, these actions include:

1. Reporting of Vehicle Accident Reports

DGS Recommendation:

Strengthen current policies and procedures, including training on and reminding drivers of the importance of timely and accurate reporting, to ensure that a motor vehicle accident report is submitted to ORIM within 48 hours of an accident.

Actions taken by DWR:

- Formally communicated the reporting requirements to DWR management, Administrative Officers, and staff.
- Engaged the DWR Safety Office to reinforce timely accident reporting.
- Strengthened the accident reporting component in our Supervisory Training course.
- Plan to track the lapse of time between accidents and reports and use that data for targeted corrective action.

2. Driver Safety and Insurance Program

DGS Recommendation:

Submit the Annual State Agency Defensive Driver Training Report to DGS by September 1st of each year.

MAR 25 2019

Actions taken by DWR:

- DWR's Training Office Chief submitted the missing FY17/18 report to the Office of Risk and Insurance Management, and will track and submit future reports by the required date.

Our personnel take great pride in our operational effectiveness. This business management audit will help to reinforce State requirements. Please note that the DGS Management Auditor, Eric Kim, was professional and well-organized in his interactions with our staff.

If you have any questions, please contact Rich Zmuda at (916) 653-9813.



Katherine S. Kishaba
Deputy Director, Business Operations

Attachments

cc: David Whitsell, Chief, Internal Audit Office
Dave Kearney, Chief, Business Services Office
Brent Dills, Chief, Facilities and Property Branch
Nate Nelson, Facilities Management
Jennifer Dong Kawate, Chief, Human Resources Office
Jose Beitia, Chief, Training Office

**DEPARTMENT OF WATER RESOURCES
(DWR)**

COMPLIANCE AUDIT

EVALUATION OF DWR'S RESPONSE

We have reviewed the response by the Department of Water Resources (DWR) to our draft report. The response to the recommendations is satisfactory and we appreciate the efforts taken or being taken by DWR 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: a sample copy of the formal communication that occurred with DWR management, Administrative Officers and staff regarding vehicle accident reporting requirements; excerpts of the accident reporting component from the "strengthened" Supervisory Training course; any data collected resulting from the tracking of lapsed time between accidents and reporting; and, a copy of the Annual State Agency Defensive Driver Training Report due to DGS by September 1, 2019.