



MEMORANDUM

Date: November 18, 2020 File No.: 0125

To: **The Honorable Tony Thurmond**
State Superintendent of Public Instruction
California Department of Education
1430 N Street, 5th 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 Education (CDE). 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).

CDE'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 and will require a six-month status report on the implementation of each. Therefore, please submit the status report to us by May 18, 2021.

To the extent that it is practicable, any proof-of-practice and supporting documentation should be specific and include excerpts and/or copies of the following: updated internal policies and procedures related to leasing activities, motor vehicle accident reporting, and the surplus personal property program; and, notifications and reminder/escalation notices sent out relative to defensive driver training.

The necessity of any further actions or additional support will be determined at that time. Please transmit your proof-of-practice documentation and/or 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 sincerely appreciated all the cooperation and assistance provided by CDE's personnel.

If you need further information on or assistance with this report, please call / e-mail me at (916) 376-5064 / Dennis.Miras@dgs.ca.gov, or Melissa Hambridge, Management Auditor, at (916) 376-5062 / Melissa.Hambridge@dgs.ca.gov.

Dennis M Miras

DENNIS M MIRAS, CIA
Manager, Office of Audit Services

Attachment

cc: Kimberly Tarvin, Director, Audits and Investigations Division
Valarie Bliss, Director, Human Resources Division
Leisa Maestretti, Director, Fiscal and Administrative Services Division
Kelly Levario, External Audits Coordinator, Audits and Investigations Division

**GOVERNMENT OPERATIONS AGENCY
DEPARTMENT OF GENERAL SERVICES**

**AUDIT OF THE
CALIFORNIA DEPARTMENT OF
EDUCATION**

**FOR COMPLIANCE WITH STATE
BUSINESS MANAGEMENT POLICIES
REPORT NO. 0125**

OFFICE OF AUDIT SERVICES

OCTOBER 2020

**CALIFORNIA DEPARTMENT OF EDUCATION
COMPLIANCE AUDIT
REPORT NO. 0125**

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STATE OF CALIFORNIA
DEPARTMENT OF GENERAL SERVICES
AUDITOR'S REPORT

DATE: November 18, 2020

TO: **The Honorable Tony Thurmond**, State Superintendent of Public Instruction
California Department of Education

This report presents the results of our compliance audit of the business management functions and services of the California Department of Education (CDE). 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 this audit included, but was not limited to, compliance with policies governing CDE's fleet administration, small business and disabled veteran business enterprises usage, driver safety and insurance, surplus property, and real estate programs. Our audit was conducted in accordance with U.S. generally accepted auditing standards.

While in most areas we concluded that CDE 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 CDE in addressing these issues:

- DGS approval is not being secured prior to renting office space.
- DGS is not being notified of terminated or expired leases.
- CDE's driver safety program is not ensuring that motor vehicle accidents are being reported to DGS' Office of Risk and Insurance Management in a timely manner. Additionally, supervisors are not always completing a report containing an evaluation of the cause of the accident.
- Policies and procedures are also not ensuring that frequent drivers attend a defensive driver training course at least once every four years.
- Sufficient documentation is not being maintained on the process used to dispose of surplus personal property.

During our review we also identified other matters requiring attention, but that did not pose a significant risk to the business management functions, which we discussed with CDE's management and are not further detailed 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, CDE'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. CDE'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 are included in this report.

We sincerely appreciated the cooperation and assistance provided by CDE's personnel.

If you need further information or assistance on this report, please contact me at (916) 376-5064, or Melissa Hambridge, Management Auditor, at (916) 376-5062.

Dennis M Miras

DENNIS M MIRAS, CIA
Manager, Office of Audit Services

Staff: Melissa Hambridge, Management Auditor

cc: Kimberly Tarvin, Director, Audits and Investigations Division
Valarie Bliss, Director, Human Resources Division
Leisa Maestretti, Director, Fiscal and Administrative Services Division
Kelly Levario, External Audits Coordinator, Audits and Investigations Division

CALIFORNIA DEPARTMENT OF EDUCATION

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 California Department of Education (CDE) 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: obtaining prior DGS approval when renting office space; notifying DGS of terminated or expired leases; timely reporting and evaluation of vehicle accidents; frequent drivers attending defensive driver training; and, the disposing of surplus personal property.

This information was developed based on our fieldwork conducted over the period of November 21, 2019 through September 25, 2020. In addition to this written report, as findings were observed and developed during our audit fieldwork, CDE's management was promptly advised of any areas of concern so that they could begin taking corrective action. Further, due to the ongoing coronavirus pandemic an exit conference email was utilized in lieu of a final in-person or MS (Microsoft) Teams virtual meeting. Within this September 25, 2020 formal email, CDE 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 2019-20 fiscal year.

LEASING OF OFFICE SPACE

Prior approval from DGS' Real Estate Services Division (RESD) is not being obtained when contracting out for office space. Our testing of CDE's delegated leases revealed five Memorandums of Understanding (MOU) used to secure such space. Government Code, Section 11005.3 states, "Any state department, board, or commission may lease any real property for the use of the state agency for storage, warehouse, or office purposes provided that the lease term does not exceed three years and the annual rental does not exceed \$50,000. Prior approval to engage in any lease activity shall first be obtained from DGS and the lease agreement shall be subject to approval by the department."

Additionally, we identified 18 delegated leases that were determined to be expired or otherwise terminated which were not brought to the attention of RESD. SAM Section 1310.7 requires agencies to notify RESD as part of DGS' responsibilities for maintaining a complete and accurate statewide inventory of all real property held by the State.

It appears that CDE was unaware of the above requirements.

Recommendations

1. Implement policies and procedures which ensure that prior approval is obtained from DGS RESD when engaging in any lease activity, including for office space.
2. Promptly notify DGS RESD of any and all delegated leases that are allowed to expire or are terminated.

REPORTING AND REVIEW OF VEHICLE ACCIDENTS¹

Existing policies and procedures in place to ensure the sufficient and timely reporting of vehicle accidents to DGS' Office of Risk and Insurance Management (ORIM) are not consistently operating as intended. Specifically, during our review of CDE's accident reporting process for the period of January through December 2019, of the nine accidents identified, three were not reported to ORIM in a timely fashion.

To allow it to effectively administer the state's motor vehicle self-insurance program, SAM Section 2430 (as well as CDE's own policies and procedures) provide that a Report of Vehicle Accident (STD. 270) form be submitted to ORIM within 48 hours of an accident. CDE took up to eight days to notify ORIM.

We also determined that a report containing a supervisor's evaluation of an accident's cause was not on-file for three of the accidents reported. SAM Section 2440 and CDE's policies and procedure require that the supervisor of an employee involved in an accident prepare a Review of State Driver Accident (STD. 274) supervisor's report, take any appropriate corrective action, and forward copies of the report to both ORIM and the agency's safety coordinator.

While none of the above would be considered immensely consequential, these instances are brought to management's attention as they are reoccurring weaknesses which were also reported during our prior audit.

It appears that CDE's existing policies and procedures are unclear as to who is responsible for the collection and maintenance of the accident reporting. As a result, no one is ensuring that all the necessary forms are submitted in a timely manner as required. This significantly contributed to the above conditions.

Recommendation

3. Update existing policies and procedures to ensure that all staff are aware of the need to report (STD. 270) motor vehicle accidents to ORIM within 48 hours and that supervisors complete the review (STD. 274) containing an evaluation of the cause of the accident. This process should include the periodic notification to staff, supervisors and managers of their accident reporting and review responsibilities.

¹ This condition previously existed and was included in our audit report to CDE dated September 2012.

DRIVER SAFETY PROGRAM

CDE needs to strengthen its driver safety 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:

- **Defensive Driver Training** – our review of a sample of 14 frequent drivers found that seven (50%) had not attended a defensive driver training (DDT) course within the last four years. SAM Section 0751 provides that frequent drivers should attend and successfully complete an approved defensive driver training course at least once every four years.

It is clear that current policies and procedures are not being consistently enforced nor are fully operating as intended.

Further, it should be noted that once CDE was made aware of our test results, of the seven non-compliant instances, we received certificates of course completion for six of the drivers, demonstrating that they each have now fulfilled their current DDT course requirements.

Recommendation

4. Periodically reemphasize to operating unit managers/supervisors their responsibilities for ensuring that employees who frequently drive on state business attend an approved defensive driver training course at least once every four years.

DISPOSAL OF SURPLUS PERSONAL PROPERTY

Policies and procedures have not been completed which ensure that sufficient documentation is maintained on the process used to dispose of surplus personal property. Specifically, our review of CDE's Property Survey Reports (STD. 152) disclosed that none had documentation certifying the disposal of the state-owned personal property. In general, documentation was not available on which CDE employee supervised a property item's disposal and the manner and date the disposal occurred.

To assist in ensuring the proper disposal of surplus property, the STD. 152's Instructions require that information be provided on the manner and date of disposal. In addition, the officer supervising the disposal is to sign the STD. 152. SAM Section 3520.9 also requires that a supervisor certify in writing that the disposition has been accomplished. The certification may be made on the STD. 152 or attached to that report.

Recommendation

5. Create and implement surplus personal property program policies and procedures which will ensure consistent and proper use of the official Property Survey Report (STD. 152) and that ample documentation is maintained on the status of and process used to dispose of surplus personal property.

CONCLUSION

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



**CALIFORNIA DEPARTMENT
OF EDUCATION**

TONY THURMOND
STATE SUPERINTENDENT OF
PUBLIC INSTRUCTION

1430 N STREET, SACRAMENTO, CA 95814-5901 • 916-319-0800 • WWW.CDE.CA.GOV

November 10, 2020

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

Subject: *Audit of the California Department of Education—For Compliance With
State Business Management Policies, Report No. 0125*

Dear Mr. Miras:

The California Department of Education (CDE) appreciates the opportunity to provide comments and address the recommendations outlined in the Department of General Services (DGS) Audit Report No. 0125.

Recommendation 1

Leasing of Office Space

Implement policies and procedures which ensure that prior approval is obtained from DGS RESD when engaging in any lease activity, including for office space.

Education's Comments

Concur. The CDE will strengthen its existing process by updating internal procedures to include obtaining prior approval from DGS RESD when engaging in lease activities with private or local entities.

Recommendation 2

Leasing of Office Space

Promptly notify DGS RESD of any and all delegated leases that are allowed to expire or are terminated.

Education's Comments

Concur. Although the CDE was not aware that DGS RESD should be notified of leases that are allowed to expire or are terminated, internal procedures will be updated to include notifying DGS RESD of leases that are terminated or not renewed from this point forward.

Recommendation 3

Reporting and Review of Vehicle Accidents

Update existing policies and procedures to ensure that all staff are aware of the need to report (STD. 270) motor vehicle accidents to ORIM within 48 hours and that supervisors complete the review (STD. 274) containing an evaluation of the cause of the accident. This process should include the periodic notification to staff, supervisors, and managers of their accident reporting and review responsibilities.

Education's Comments

Concur. The CDE will strengthen its existing process by updating internal procedures related to accident reporting to: (1) ensure staff are aware of the need to report motor vehicle accidents to ORIM within 48 hours using the STD. 270 form; and (2) include periodic notifications to staff, supervisors, and managers regarding their responsibilities for submitting the evaluation of the cause of the accident through the use of the STD. 274 form.

Recommendation 4

Driver Safety Program

Periodically reemphasize to operating unit managers/supervisors their responsibilities for ensuring that employees who frequently drive on state business attend an approved defensive driver training course at least once every four years.

Education's Comments

Concur. Currently, the CDE notifies unit managers/supervisors of their responsibilities for ensuring that employees complete the defensive driver training course at least once every four years and will continue this practice. In addition, CDE staff will send reminder notices and escalation notices when appropriate, to assist with ensuring compliance with this requirement.

Recommendation 5

Disposal of Surplus Personal Property

Create and implement surplus personal property program policies and procedures which will ensure consistent and proper use of the official Property Survey Report (STD. 152) and that ample documentation is maintained on the status of and process used to dispose of surplus personal property.

Education's Comments

Concur. The CDE is in the process of updating and implementing departmental policies and procedures for the surplus personal property

Mr. Dennis M. Miras, CIA, Manager

November 10, 2020

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program, which includes utilizing the official Property Survey Report form and ensuring sufficient documentation is maintained on the disposal of surplus personal property.

If you have any questions regarding the CDE's comments, please contact Kimberly Tarvin, Director, Audits and Investigations Division, by phone at 916-323-1547 or by email at ktarvin@cde.ca.gov.

Sincerely,

Handwritten signature of Stephanie Gregson in cursive script.

Stephanie Gregson, Ed.D.

Chief Deputy Superintendent of Public Instruction

SG:kl

**CALIFORNIA DEPARTMENT OF EDUCATION
(CDE)**

EVALUATION OF CDE'S RESPONSE

We have reviewed the response by the California Department of Education (CDE) to our draft report. The response to the recommendations is satisfactory and we appreciate the efforts taken or being taken by CDE 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, proof-of-practice and supporting documentation should be specific and include excerpts and/or copies of the following: updated internal policies and procedures related to leasing activities, motor vehicle accident reporting, and the surplus personal property program; and, notifications and reminder/escalation notices sent out relative to defensive driver training.