

**Date:** June 18, 2021

File No.: 1120

**To:** **Nancy Bargmann, Director**  
Department of Developmental Services  
1600 Ninth Street  
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 Department of Developmental Services (DDS) and its delegated purchasing program. 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).

DDS' 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 on your department's official letterhead the status report to us by December 17, 2021.

To the extent that it is practicable, proof-of-practice and supporting documentation should be specific and include excerpts, samples, screenshots, and/or copies of the following (related recommendation(s) noted):

- 1) Updated Contracting & Procurement Policy and Procedure Manual and Cal-Card Handbook; April 2021 email sent to all procurement buyers and approvers informing each of the requirement to complete the mandatory DGS CalPCA Basic Acquisition class; and in-house training syllabi/agendas related to contracting/procurement activities and CAL-Card Program practices (Recommendation #s 1-4).

- 2) Updated STAR Policies and Procedures Manual (#4).
- 3) May 2021 memo addressing the prompt payment of vendor invoices (#5).
- 4) New hire and transfer documentation showing the addition of the STD. 261 certification requirements; quarterly email notifications sent by OHR; and new Intranet accessibility of the STD. 261 (#6).
- 5) Monthly email notifications sent by the Training Unit as reminders to those that are due to take the Defensive Drive Training (DDT) course at least once every four years and new Intranet accessibility of the DDT (#7).
- 6) Since not addressed in its response, DDS is reminded to implement policies and procedures which will ensure that the Annual State Agency Defensive Driver Training Report for each of its major operating units is accurately prepared and submitted to DGS by September 1 of each year (#8).
- 7) Updated Fleet Asset Manual; assignment of Division Fleet Coordinators; and master inventory Excel spreadsheet which will serve as a centralized internal tracking and reconciliation system of all fleet assets (#9).
- 8) Updated Travel Memo which addresses the need for employees required to travel on state business to secure all of their travel needs through either Concur Travel or the CalTravelStore and to ensure the SCO Justification Form is completed and submitted with the invoice when rental car transactions exceed contracted rates; and syllabi/agendas for the monthly travel training provided by the DDS Travel Unit related to booking trips through Concur and submitting proper justification to SCO (#s 10 & 12).
- 9) Updated State Fleet Card Program policies and procedures and Fleet Card Manual; emails or other means used to distribute the revised manual to all Development Centers (DCs); and reminders sent to the Fleet Card Administrator regarding completion and submission of the Annual Certification due to OFAM by June 30th of each year (#11).
- 10) Updated Asset Management Manual; emails or other means used to distribute the revised manual to the State Operated Facilities (DCs/STAR Homes); formal appointment of HQ's and verification of each DC's Property Survey Board; and training syllabi/agendas created by DDS for Regional Center staff regarding the policies, procedures and requirements related to asset management and surplus personal property disposals (#s 13 & 14).

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 email to [Dennis.Miras@dgs.ca.gov](mailto:Dennis.Miras@dgs.ca.gov).

We sincerely appreciated all the cooperation and assistance provided by DDS' personnel.

If you need further information on or assistance with this report, please call/email me at (916) 376-5064/[Dennis.Miras@dgs.ca.gov](mailto:Dennis.Miras@dgs.ca.gov) or, Monica De La Rosa, Management Auditor, at (916) 376-5050/[Monica.Delarosa@dgs.ca.gov](mailto:Monica.Delarosa@dgs.ca.gov).

*Dennis M Miras*

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DGS



**GOVERNMENT OPERATIONS AGENCY  
DEPARTMENT OF GENERAL SERVICES**

**AUDIT OF THE  
DEPARTMENT OF DEVELOPMENTAL  
SERVICES**

**FOR COMPLIANCE WITH STATE  
BUSINESS MANAGEMENT POLICIES  
REPORT NO. 1120**

**OFFICE OF AUDIT SERVICES**

**MARCH 2021**



**DEPARTMENT OF DEVELOPMENTAL SERVICES  
(DDS)**

**COMPLIANCE AUDIT  
REPORT NO. 1120**

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

DATE: June 18, 2021

TO: **Nancy Bargmann, Director**  
Department of Developmental Services

This report presents the results of our compliance audit of the business management functions and services of the Department of Developmental Services (DDS) and its delegated purchasing program. These audits are routinely performed under the authority granted to the Department of General Services (DGS) by Government Code Sections 14615 and 14619 and Public Contract Code Section 10333. 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. Our audit was conducted in accordance with U.S. generally accepted auditing standards.

As applicable, the scope of this audit included, but was not limited to, compliance with policies and procedures governing fleet and travel services administration, small business (SB) and disabled veteran business enterprises (DVBE) usage, driver safety and insurance, surplus property, real estate, and delegated purchasing. Unless otherwise noted, our audit efforts were primarily focused on the following major operations: DDS Headquarters (HQ), Canyon Springs Community Facility, Fairview Developmental Center (DC), Porterville DC, and Sonoma DC. None of the 21 Regional Centers' (RC) operations were audited except for their surplus personal property program, the only area where DGS has any oversight responsibilities. Similarly, testing over DDS' STAR (Stabilization Training Assistance Reintegration) Homes' operations was limited to their procurement activities (Cal-Card).

While in most areas we concluded that DDS is conducting its business management functions and services in accordance with state requirements, we did find that it has not fully implemented a delegated purchasing program that ensures compliance with the state's primary procurement rules and regulations.

We identified several areas for improvement which are summarized below. The implementation of the recommendations presented in this report will assist DDS in addressing the following issues:

- DDS' delegated purchasing authority (DPA) practices are not in full compliance with several applicable state requirements governing these types of procurements. To avoid duplication, and because there were numerous DPA program deficiencies noted, they are not individually listed here and are each outlined later within the body of this report.
- Weak controls over the CAL-Card Program have led to several instances of non-compliance related to insufficient: training of administrators and cardholders; reconciliation and approval of monthly statements; documentation to support transactions; and guidance to programs.
- Current invoice processing policies and procedures do not ensure that all vendor invoices are date stamped and promptly paid.
- DDS' driver safety and insurance program is not ensuring that employees who use their own vehicle to conduct state business complete and annually update a vehicle certification form. Additionally, policies and procedures are not ensuring that frequent drivers attend a defensive driver training course at least once every four years and that the State Agency Defensive Driver Training Report is submitted to DGS annually.
- DDS' fleet administration program is not ensuring full compliance with state policies and procedures, including the: (1) reporting of fleet asset usage information into DGS' Fleet Asset Management System (FAMS) in a consistent, accurate and timely manner; (2) collection and reconciliation of vehicle inventory data; and (3) accounting of all vehicle pink slips.
- Travel services policies and procedures are not ensuring: (1) that employees who travel to conduct state business make all travel arrangements through DGS' Statewide Travel Program; (2) compliance with the State Fleet Card Program; and (3) completion of a justification form when renting a vehicle at a rate higher than the contracted rate.
- A general lack of controls has led to several weaknesses identified impacting most of DDS' operating units related to how they each handle and dispose of their surplus personal property; this includes the lack of policies and procedures over the maintenance of its leased warehouse space located in Sacramento.

During our review we also identified other matters requiring attention, but that did not pose a significant risk to the business management and DPA functions, which were discussed with DDS' 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, DDS' 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. DDS' management has the ongoing responsibility for ensuring that its business management and DPA program policies and procedures are functioning as prescribed and are modified, as appropriate, for changes in conditions.

Your response to our recommendations as well as our evaluation of the response are included in this report.

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

If you need further information or assistance with 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, at (916) 376-5050/[Monica.DeLaRosa@dgs.ca.gov](mailto:Monica.DeLaRosa@dgs.ca.gov).

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# DEPARTMENT OF DEVELOPMENTAL SERVICES

## 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 Developmental Services (DDS) 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: delegated purchasing program; CAL-Card program; prompt payment of invoices; driver safety and insurance program; fleet and travel management practices; and disposition of surplus personal property.

This information was developed based on our fieldwork conducted over the period of July 28, 2020 through March 11, 2021. In addition to this written report, as findings were observed and developed during our audit fieldwork, DDS' management was promptly advised of any areas of concern so that they could begin taking corrective action. Further, during our March 11, 2021 audit exit conference, DDS 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 and 2020-21 fiscal years.

#### **DELEGATED PURCHASING PROGRAM**

While DDS has implemented a delegated purchasing program, it does not fully ensure compliance with the state's primary procurement requirements. Our tests of a sample of 68 transactions (including 26 purchases over \$10,000, 21 purchases under \$10,000, and 17 leveraged procurement agreement (LPA) transactions) disclosed a number of areas for improvement that need to be addressed to fully comply with delegated purchasing requirements. When a department is transacting in FISCAL (Financial Information System for California), as DDS currently does, the state's delegated purchasing requirements are primarily contained in State Contracting Manual (SCM) Volume F.

Since the instances of noncompliance were thoroughly discussed with responsible management and staff on numerous occasions during our audit fieldwork, they are not detailed in this report. However, the types of exceptions noted included weaknesses involving the following purchasing practices (applicable criteria provided) [applicable exception/deviation rate noted]:

- Purchasing authority number noted on the purchase order (SCM F, 1.A1.5) [58%]
- Procurements correctly classified <sup>1</sup> (SCM F 2.B2.0) [44%]
- Emergency purchases sufficiently documented, justified, and meet the criteria as described in the State Contracting Manual (SCM F, 2.B10.1 and 2.B10.3) [64%]
- General Provisions, including correct version and revision date, as well as additional terms, conditions and exhibits, referenced in the purchase order (SCM F, 4.B3.1; 4.B3.2; 4.D4.0) [39%]
- Affirming in writing to the vendor's terms and conditions (SCM F, 6.7.3) [100%]
- Sellers' permits maintained in the procurement file (SCM F, 4.B3.3) [37%]
- Purchases over \$5,000 reported to DFEH (Department of Fair Employment and Housing) (SCM F, 9.E4.0) [54%]
- Solicitations, with referenced bidder instructions and general provisions, located in the procurement file <sup>2</sup> (SCM F, 4.B3.0 – 4.B3.1; 4.D1.0) [48%]
- Small business (SB) and disabled veteran business enterprise (DVBE) vendor certification verified <sup>2</sup> (SCM F, 3.A2.5) [31%]
- DVBE program requirements not included within the solicitation or waiver documentation maintained within the procurement file <sup>2</sup> (SCM F, 4.B1.4) [44%]
- Signed Bidder Declarations for certified SB/DVBE vendors placed in the procurement file <sup>2</sup> (SCM F, 3.A4.7) [44%]
- Commercially Useful Function (CUF) evaluations performed to determine SB/DVBE status (SCM F, 3.A2.6; 3.A2.8; 3.A7.1) <sup>2</sup> [50%]
- Supporting documentation is contained within the transaction file that FTB (Franchise Tax Board) and CDTFA (California Department of Tax and Fee Administration) websites are checked to verify that contractors are not on any prohibited lists (SCM F, 2.B4.5) [46%]
- Adequate and complete procurement files are centrally located <sup>1</sup> (SCM F, 2.A3.0) [54%]
- Accurate checklists consistently used for all procurements <sup>1</sup> (SCM F, 2.B6.7) [100%]
- Solicitations sent out to request quotes, offers, and bids from a minimum of two vendors to ensure effective competition (SCM F, 4.D1.0 and 4.C2.1) [30%]
- Comparable and adequate bids solicited and received <sup>2</sup> (SCM F, 4.C2.0 - 4.C2.5) [52%]

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<sup>1</sup> This is a deficiency noted in the prior Purchasing Authority Accreditation Review conducted by DGS' Procurement Division in 2018.

<sup>2</sup> This is a finding noted in the previous Delegated Purchasing Authority Program Audit Report dated September 25, 2017.

- Bid/Quote worksheet used and maintained in the procurement file (SCM F, 4.D2.3) [25%]
- Non-competitively bid (NCB) process used for procurements and amendments when required (SCM F, Chapter 6) [100%]
- Proprietary software agreements properly documented in the procurement file (SCM F, 6.6.0; 6.6.1; 6.6.6) [100%]
- Fair and reasonable method and support maintained in the procurement file (SCM F, 6.9.0; 6.9.1; 6.9.4) [65%]
- Certification of Compliance with IT Policies for procurements over \$5,000 are maintained (SCM F, 2.E5.0) [29%]
- Information for FI\$Cal SCPRS (State Contract & Procurement Registration System), such as date, amount, method, and amendments, is accurately reported in the system <sup>1</sup> (SCM 3, 5.3.4; 8.1.1; Management Memo 16-03) [57%]
- Purchasing and contracting logs capture all transactions procured by the department for each fiscal year (SCM F, 1.A3.6) [20%]
  
- LPA documentation:
  - References to LPA terms and conditions from associated purchase orders are included at the time an order is placed (SCM F, 5.A1.10) [44%]
  - A complete LPA (or its location by reference) is encompassed within the procurement file (SCM F, 5.A1.0 and 5.A1.5) [75%]
  - LPA contract pricing pages are maintained (SCM F, 5.A1.0 and 5.A1.5) [56%]
  - Purchases are made in accordance with applicable LPA terms and conditions (SCM F, 5.A1.0 and 5.A1.5) [44%]
  - Mandatory LPAs, with streamlined bid processes and negotiated prices, are used as required (SCM F, 5.I3.0) [100%]
  - SB/DVBE "off-ramps" to mandatory LPA contracts are used when beneficial to do so when purchasing equivalent products at the same or lower price (SCM F, 5.B1.5 and 5.B1.6) [27%]
  - Multiple offers are obtained when required by the LPA user instructions (SCM F, 5.A2.0 and Individual LPA User Instructions) [66%]
  - Best value is determined for LPAs (if applicable) when multiple offers are required (SCM F, 5.A2.2 and 5.A3.0) [100%]

While it was difficult to determine the primary cause(s) for each of the aforementioned exceptions, responsible staff not being fully aware of all applicable requirements; the lack of experienced and sufficiently trained personnel; staff turnover and vacancies; the decentralized nature of existing procurement systems and activities; inadequate communication between Headquarters (HQ) and Developmental Centers (DCs); and simple oversight while processing these types of transactions were all found to be contributing factors.

### **Recommendations**

1. Strengthen existing, implement additional, and disseminate all policies and procedures to assist in ensuring full compliance with all requirements of the delegated purchasing program. This process should address each of the issues noted above.
2. Enforce new and existing policies and procedures to ensure that all applicable state laws, rules, policies, and regulations are followed.
3. Ensure that all staff who procure for DDS are trained in, are knowledgeable of, and understand all procurement requirements as prescribed in the SCM and any other applicable state procurement policies and procedures.

### **AQUISITIONS PAID BY CAL-CARD**

Current policies and procedures are not ensuring compliance with requirements for procurements paid by CAL-Card, a VISA purchase card which provides a flexible payment mechanism for the acquisition of goods and services. The following weaknesses were noted over DDS' CAL-Card Program practices (applicable criteria provided):

- DDS' CAL-Card coordinator has not attended the state's official CAL-Card Program training (SCM F, 1.A3.5)
  - This program administrator does not have a procurement background nor has completed the very relevant procurement training offered through the California Procurement and Contracting Academy (CalPCA) (SCM F, 1.A3.5)
- Cardholders have purchase limits well beyond \$2,500, the dollar threshold whereby an authorizing purchasing agreement is required, yet few if any have had procurement training (SCM F, 8.B4.1)
- Cardholders are not reconciling monthly CAL-Card statements with required supporting documentation for accuracy (DDS CAL-Card Handbook)
  - From a sample of 32 monthly statements containing 159 transactions tested for the period October-November 2020, we discovered a 50% exception rate for the above issue
- CAL-Card statements are not being reviewed and approved by the CAL-Card Approver nor are receipts and purchase agreements which would support such purchases are being maintained (SCM F, 8.B3.2)
  - From the above sample of transactions noted, statements not being reviewed and approved occurred 81% of the time
  - Receipts and purchase agreements were missing 15% of the time



- CAL-Card transactions over \$2,500 are not supported by purchase documents nor provide evidence of the procurement method utilized within the procurement files (SCM F, 8.B4.0 and 8.B4.1)
- Fair and reasonable documentation is not maintained in the procurement files for CAL-Card transactions under \$10,000 <sup>2</sup> (SCM F, 6.9.0; 6.9.1; 6.9.4)
- There is limited guidance for STAR (Stabilization Training Assistance Reintegration) Homes CAL-Card purchasing activity (STAR Homes Obtaining and Purchasing Goods guide)
  - STAR Homes staff are to ensure that they are making allowable purchases and that suppliers are on a DDS approved vendor list

Similar to the delegated purchasing authority (DPA) program, it was difficult to establish the principal cause(s) for each of the above-mentioned weaknesses. A general lack of controls; new, untrained, and inexperienced personnel; staff turnover and vacancies; insufficient communication and guidance from HQ to DCs and STAR Homes operations; and simple oversight while processing these types of transactions were all found to be contributing factors.

### **Recommendation**

4. As with the DPA program, strengthen existing, implement additional, and disseminate all policies and procedures associated with the CAL-Card program which will ensure full compliance with all related requirements. This should include updating and distributing the DDS CAL-Card Handbook and STAR Homes Obtaining and Purchasing Goods guide. The CAL-Card Coordinator, all cardholders, and approvers should immediately be trained in CAL-Card usage and applicable procurement requirements. DDS should periodically assess and adjust accordingly, cardholders' limits to fit the needs of each employee's job-related duties and program objectives. These actions should address each of the issues noted above.

### **PROMPT PAYMENT OF INVOICES**

DDS' current invoice processing policies and procedures are not ensuring the prompt payment of vendor invoices. In reviewing a sample of 43 invoices processed for payment during July-December 2020, we found 12 (28%) invoices which were not processed in a manner that ensured payment in accordance with the state's prompt payment requirements.

Specifically, these invoices were not paid within 45 calendar days of receipt by DDS and were up to 159 days late (averaged 35 days late). Further, late payment penalty fees due to nine of these vendors were not paid as required. Unpaid penalties totaled nearly \$13,800, ranged from \$36 to \$10,173 per invoice, and averaged \$1,499 each.

Government Code Section 927, et seq., and SAM Sections 8474 through 8474.4 contain the state's policies related to the prompt payment of businesses. These policies include a requirement that vendor invoices be paid within 45 calendar days of receipt and the automatic payment of penalties when applicable. The 45-day timeline allows state agencies 30 days to perform their payment approval function and the State Controller's Office (SCO) 15 days to perform its audit and warrant generation process.

We also determined that 34 (79%) of the 43 invoices tested were not date stamped upon receipt by DDS. SCM F, 8.A5.2 states:

"To accurately measure and track payment timeliness, all invoices must be:

- Date stamped or receipt date designated in ink on the front of the invoice (to accommodate photocopying) when first received at the "billed to" departmental location as identified in the purchase document.
- Promptly forwarded to the department's accounting office if the invoice is received elsewhere in the department and the purchase document states the "bill to" address is the accounting office. It is recommended that the invoice be date stamped upon first arrival in the department, even if received at other than the "bill to" address on the purchase document."

Vendors sending invoices directly to program managers; programs not date-stamping invoices when received nor using the Invoice Dispute Notification for invoices that are incorrect; staff turnover in the program areas (which creates issues with understanding the need to adhere to the Prompt Payment Act); and delays in sending approved invoices to accounting for processing are all attributed to the above conditions.

### **Recommendation**

5. Implement policies and procedures that ensure the timely processing of vendor invoices and payment of applicable penalty fees as required by state policy. As part of this process, operating unit management (program managers) should be reminded of the importance of promptly forwarding invoices and payment approvals to Accounting for payment. Additionally, ensure that all invoices are date stamped upon receipt by the department.

## **DRIVER SAFETY AND INSURANCE PROGRAM**

DDS 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:

- **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 all 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 nine (64%) of 14 employees included in our sample tests prior to using their own vehicle on state business.

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:

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

Each major DDS operating unit (ie: HQ, DCs, etc) maintains its own, separate set of policies and procedures and are individually responsible for enforcing and notifying their staff of the above noted STD. 261 requirements. It is evident that these efforts are not entirely functioning as desired.

- **Defensive Driver Training** – our review of a sample of 18 frequent drivers found that 13 (72%) had not attended a defensive driver training (DDT) course within the last four years. SAM Section 0751 provides that frequent drivers attend and successfully complete an approved defensive driver training course at least once every four years.

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

- **Annual State Agency DDT Report** – DDS has not been submitting timely Annual State Agency Defensive Driver Training Reports for each of its major operating units that are due to DGS by September 1 of each year as required by Management Memo 11-04. This 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. At the time of our audit, DDS had not designated an individual to oversee and track course enrollment for the entire department and ensure preparation and submission of the report by each major operating unit.

### **Recommendations**

6. Strengthen current policies and procedures that ensure the completion and annual update of a STD. 261 certification form by employees prior to using their own vehicle to conduct state business. This process should include periodic notifications to all operating units regarding their responsibilities for ensuring the completion and updating of the form.
7. Periodically reemphasize to all operating unit staff/supervisors/managers regarding 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.
8. Implement policies and procedures which will ensure the defensive driver training report is accurately prepared and submitted to DGS by September 1 of each year by each major operating unit.

### **FLEET MANAGEMENT AND TRAVEL SERVICES PROGRAMS**

DDS needs to strengthen its oversight of the department's fleet and travel services programs. Specifically, the following areas need further attention:

- **Fleet Asset Management System (FAMS) Reporting** – DDS' policies and procedures are not ensuring that vehicle information is reported into FAMS on a monthly basis, in accordance with OFAM's (Office of Fleet and Asset Management's) policies and procedures. Our review revealed that DDS did not have a thorough accounting of vehicles, locations, or usage for the approximately 578 department owned vehicles. As a result, DDS is not in compliance with OFAM accounting and reporting practices.

SAM Sections 4120.1 and 4125 require state agencies to update their fleet asset information into FAMS on a monthly basis, including fuel and utilization data. This is necessary in order for OFAM to meet its mandatory reporting responsibilities to the legislature and the federal government. Further, the State of California Fleet Handbook requires agencies to “update FAMS by the 15th of each month with the following data from the previous month: (1) updated inventory; (2) usage data, including ending odometer readings and/or hour meter readings; and (3) fuel data.” These requirements apply to all fleet assets, owned or rented, that are in the agency’s control for more than 30 consecutive calendar days or more than four consecutive work weeks.

Specifically, we found that there existed a general lack of inventory control over its fleet assets and DDS did not maintain a complete accounting of the total number and location of its vehicles throughout its entire department. When we requested it to do so, DDS was unable to provide us with copies of pink slips (certificates of title) for any of the 31 vehicles sampled for testing against official property records. Further, we identified 96 fleet assets which were not accounted for in both DDS’ and OFAM’s inventory records. Additionally, when we attempted to reconcile fleet asset data reported to OFAM against supporting documentation provided by DDS, we noted a massive number of discrepancies which totaled in excess of 16,000 data gaps and more than 12,000 usage gaps.

It should be noted that OFAM has been working with DDS for several years now to attempt to rectify these differences. Unfortunately, these efforts have been unsuccessful due to DDS operational facility closures and consolidations as well as staff and leadership turnover throughout the department. Consequently, OFAM has been unable to approve any of DDS’ Fleet Acquisition Plans since the 2016-17 fiscal year.

These conditions apparently exist for several reasons, which include but are not limited to: none of the decentralized operations having policies and procedures for FAMS Reporting in place; tremendous turnover within the rank & file and managerial levels; new and inexperienced Fleet Asset Management personnel; inadequate communication between HQ and DCs, leading to insufficient guidance and lack of notice when vehicles are permanently transferred between locations; and no inventory and tracking mechanisms in place.

- **Statewide Travel Program** – Current travel policies and procedures are not ensuring that all employees who travel overnight to conduct state business secure their hotel needs through the state’s travel program. While DDS appears to consistently utilize DGS’ Statewide Travel Program (STP) for airfare and car rentals, our audit analyses revealed seven (44%) of 16 employees that sought reimbursement for lodging had not booked their hotel stays through either the CalTravelStore or Concur Travel.

DGS Management Memo 14-03, SAM Section 4117, and DDS' own Travel Policies and Procedures require all travel arrangements (airfare, hotel, commercial car rental, and rail) to be made through DGS' STP. This program provides for government travelers' needs by obtaining the most economical rates and fares available through the use of contracted travel-related services. It offers comprehensive travel services through Concur Travel, an online booking tool that is the primary means for booking all reservations. The STP also offers traditional call-in service through the CalTravelStore, the state's onsite contracted travel agency.

This condition exists primarily due to travelers being unaware of the above requirements and/or booking under the premise that they are saving the state money by reserving directly with the hotel establishment. DDS' size and decentralized nature of its operations may also make it a bit more difficult to maintain departmentwide policies and procedures for state travel.

While meaning well, these travelling employees may actually be causing DDS to miss out from obtaining the most cost-effective, pre-negotiated, and leveraged travel rates offered by not utilizing STP's centralized travel management services.

- **State Fleet Card Program** – DDS has not implemented adequate and effective policies and procedures that ensure the adequate control of state fleet cards. Fleet cards are primarily used by state employees to purchase fuel for vehicles used for official state business. In brief, SAM Section 4108 establishes controls that would help prevent abusive fleet card practices, including but not limited to fraud and abuse.

The State Fleet Card Program requires that participating departments comply with a number of requirements including: (1) implementing written oversight procedures; (2) designating a coordinator to closely manage the use of the program; (3) submitting to OFAM an annual certification that the department has executed required procedures; and (4) requiring card users to sign an agreement addressing compliance with usage policies and procedures.

We found that DDS' policies and procedures are outdated; it did not have a complete accounting of the total number and location of fleet cards departmentwide; the Annual Certification Form is not being submitted to DGS OFAM by June 30<sup>th</sup> of each year; and drivers authorized to use a State Fleet Card have not reviewed and signed the Fleet Card User Agreement as required.

Again, DDS' size and decentralized nature of its operations make it all that much more challenging to maintain uniform and departmentwide policies and procedures over its state fleet cards. Not having a centralized management and tracking system; limited knowledge of program requirements; shortages of staff; and unresponsive Fleet Card coordinators contributed to the existence of the above cited conditions.

- **Rental Car Usage Compliance** – DDS' policies and procedures are not ensuring that an SCO Justification Form is being completed for those rental car transactions that exceed the daily or weekly contracted rate. Our review of 18 transactions revealed 11 (61%) car rentals that exceeded the state contracted rate; however, a justification form was not on file as required by current travel notices. DGS Travel Bulletin 20-01 requires employees to obtain supervisory approval prior to renting a vehicle larger than the intermediate size by using the SCO Justification Form, which then needs to accompany the invoice to SCO for payment.

### **Recommendations**

9. Update existing, create uniform, and distribute all policies and procedures associated with fleet asset management and reporting which will ensure full compliance with all relevant requirements. Implement a department wide tracking and reconciliation system of all fleet assets, including capturing location and usage information for HQ and DCs. These actions should address all of the weaknesses noted above within the FAMS reporting section.
10. Reinforce and communicate existing travel policies and procedures to ensure that employees required to travel on state business secure all of their travel needs through either Concur Travel or the CalTravelStore, including booking of their hotel stays. Employees should always contact or otherwise utilize STP's centralized travel management services to determine if the state rate can be adjusted to match a lower hotel establishment rate.
11. Update and implement policies and procedures that will ensure the adequate control of state fleet cards. This process should ensure full compliance with State Fleet Card Program requirements, which include the contemporaneous accounting of the quantity and location of all fleet cards; submitting the annual certification to OFAM; and requiring all card users to sign the agreement addressing compliance with usage policies and procedures.
12. Update current policies and procedures to ensure the SCO Justification Form is completed and submitted with the invoice when rental car transactions exceed the daily or weekly contracted rate. Management personnel and their staff should be reminded of the need to complete the form and obtain prior supervisory approval as warranted.

### **DISPOSAL OF SURPLUS PERSONAL PROPERTY**

Policies and procedures have not been implemented which ensure that sufficient documentation is maintained on the process used to control and dispose of surplus personal property.

Specifically, at the time of our audit formal Property Survey Boards had not been appointed for HQ and each of its four DCs. SAM Section 3520.2 states "Each agency will have a duly appointed Property Survey Board that is responsible for determining that, when disposing of surplus property, the decision to do so serves the best interest of the state. To the extent possible, there will be a sufficient number of members on the Board to insure representation by both business management and program responsibilities. At least two Board members must approve all Property Survey Reports (STD. 152)."

Additionally, from a sample of 26 STD. 152s selected, out of 22 which were applicable to the specific compliance attribute being tested, 15 (68%) did not have a certification of how and when the state-owned personal property was disposed of. 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. Further, the officer supervising the disposal is to sign the STD. 152. And, SAM Section 3520.9 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.

Furthermore, we noted 14 of 26 samples (54%) had issues related to the timely and authorized disposal of the property being surplus. SAM Section 4112 requires that approval be obtained from DGS' Office of Surplus Property and Reutilization (OSPR), or OFAM if for vehicles, before the property can be disposed of. We found that DGS approval was not obtained prior to disposal and/or due to the lack of required certification of disposition we were unable to determine if the property was surplus in a timely manner.

In addition, we were unable to find any indication that the California Prison Industry Authority (CALPIA) was contacted for the disposal of e-waste. SAM Section 3520.10 requires agencies to recycle its e-waste using the services of CALPIA's certified E-waste Recycling and Computer Refurbishing program.

Moreover, HQ is not overseeing and tracking state-owned surplus personal property disposals as required by signed agreements between DDS and each Regional Center (RC). Beyond this, contact information of property controllers and copies of completed and approved STD. 152s are not being maintained for each of the 21 RCs as required by DDS' Equipment Management System's Guidelines.



Finally, policies and procedures have not been established for the use of the warehouse space DDS leases in Sacramento. According to Management Memo 13-08, agencies operating or using warehouses should develop guidelines to address what content will be stored in the warehouse as well as the length of time those items will be stored.

A variety of contributing factors have led to the above conditions, including: due to the decentralized nature of its business, DDS has found it difficult to maintain and enforce uniform policies and procedures over the processes involved in controlling and disposing of all its surplus personal property; DCs function independently without HQ's oversight; staff turnover, limited human resources, and newly appointed personnel have resulted in a generally inexperienced and untrained workforce in charge of carrying out surplus personal property duties; and staff unawareness and oversight of governing directives.

### **Recommendations**

13. Strengthen existing, implement additional, and disseminate all surplus personal property program policies and procedures which will ensure that complete documentation is maintained on the approval, status, and method used to dispose of surplus personal property departmentwide. These measures should include, but not be limited to, the: formal appointments of Property Survey Boards be memorialized in writing; manner and date of disposals be certified in writing; timely and authorized disposal of all property being surplus; coordination with CALPIA for the disposal of e-waste; closer oversight and tracking of RCs' state-owned surplus personal property disposals; and development of and adherence to warehouse space utilization guidelines.
14. Ensure that all departmentwide staff involved with surplus personal property are trained in, are knowledgeable of, and understand all aspects of surplus personal property handling, storage, processing and disposal. Periodically remind staff of these requirements to ensure future and ongoing compliance as well as sufficient state-owned property management and control.

## **CONCLUSION**

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



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**SUMMARY OF FINDINGS/DDS RESPONSE**

AUDIT STEP	CONDITION	CRITERIA	RECOMMENDATION(S)	DDS Comments
<p>C.2 – Fleet Asset Management System (FAMS) Reporting</p>	<p>The Department of Developmental Services (DDS) is not in compliance with FAMS reporting requirements. The department is unable to accurately collect and report fleet data on a monthly basis. The department’s fleet inventory does not agree with data totals in FAMS. The department could not locate and provide requested pink slips for DDS owned fleet.</p>	<p><u>State Administrative Manual Section 4120.1</u>  <u>State of California Fleet Handbook 16.1 &amp; 16.2</u>  <u>Management Memo 13-01</u></p>	<p>DDS Headquarters should update Fleet related policy and procedures with current information and distribute to each of the Developmental Centers (DC). Create one centralized internal tracking system overseen by DDS’ Fleet Coordinator at headquarters in which each DC Fleet Liaison can manage assets in the system. Collect and centrally store official property records for all DDS owned fleet.</p>	<p>DDS is in the process of finalizing Fleet Asset Manual and will distribute to applicable departments including the Development Centers. DDS is in the process of establishing Division Fleet Coordinators. These Coordinators will include employees from the Development Centers who will be responsible for managing their own assets in the FAMS system. Fleet Coordinators will send a copy of official property records to the DDS Fleet Coordinator. A master inventory Excel spreadsheet has been created and a folder in our internal G drive is set up for storing DDS’s STD 152 and 158s. DDS has completed the Master Inventory list for vehicles. The mobile equipment inventory is in progress.  Duplicate Pink slips have been requested</p>

<p>C.3 – State Fleet Card Program</p>	<p>The department is not in compliance with the requirements for the State Fleet Card Program. Policies and procedures are outdated or currently under the updating process. The department didn't complete and submit the Annual Certification Form to OFAM by June 30, as required. The department does not have an accounting of what vehicles are located at each location and could not determine who has access to use the vehicles. As a result, the department does not track their fleet cards, and couldn't confirm if any of their</p>	<p><u>Management Memo 12-08</u></p> <p><u>State of California Fleet Handbook</u></p> <p><u>DDS State Fleet Card Program Procedures Manual</u></p> <p><u>PDC Facility Bulletin #142</u></p>	<p>Update current Fleet Card Program policy and procedures with correct information per Management Memo 12-08 and State of California Fleet Handbook. Ensure all Developmental Centers follow the same policies and procedures outlined by Headquarters. Management should complete and submit the Annual Certification Form and ensure employees that have access to the fleet cards are aware of MM 12-08 requirements and they certify and sign the Fleet Card User Agreements.</p>	<p>With the new Fleet Card vendor starting 6/30/2021, DDS is updating policies and procedures and updating information in the Fleet Card Manual. The estimated completion date is 6/30/21.</p> <p>Once the Manual is completed it will be distributed to all Development Centers.</p> <p>With the change of fleet cards, DDS is verifying fleet card holders and creating a new fleet card tracking to assist with the fleet card tracking and usage.</p> <p>All employees who receive the new fleet card will be required to sign and certify the Fleet Card User Agreements.</p> <p>A reminder will be sent to the Fleet Card Administrator to complete and submit the Annual certification for to OFAM by June 30<sup>th</sup> each year.</p>
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	employees signed a Fleet Card User Agreement.		Create one centralized internal tracking system overseen by DDS’ Fleet Coordinator at Headquarters in which each Developmental Center Fleet Liaison can manage assets in the system to assist DDS with fleet card tracking and usage for State Fleet Card Program compliance.	
C.5 – Rental Car Usage Compliance	DDS is not in compliance with rental car usage requirements. Auditor tested a sample of 18 rental car transactions from December 2019 – February 2020 that exceeded the daily/weekly contracted rate, contained fuel charges, or both. Of 18 samples, 11 exceed the rate or had fuel charges and did not have as SCO Justification Form on file. This is a deviation rate of 61%.	<u>Travel Bulletin 19-01</u>  <u>Travel Bulletin 20-01 (starting 3/1/20 a Justification Form is not needed for fuel charges)</u>  <u>DDS Travel Policy and Procedures</u>	Update policies and procedures and periodically remind employees of rental car usage requirements. Periodically remind staff that SCO Justification Forms are required prior to travel if employee is aware of a larger vehicle reservation or if the rental car transaction exceeds the contract rate.	DDS will issue an updated Travel Memo and provided training. DDS Travel Unit will continue working with DDS employees to ensure they book their trips through Concur and provide a justification for larger vehicles or for rates that exceed the contract. The Travel Unit will also remind everyone during the monthly travel training.
C.6 – Statewide Travel	DDS is not in compliance with Statewide Travel program requirements. Auditor tested a sample of 16 travel expense claims processed from December 2019 – February 2020 for DDS employees. The travel expense claims had airfare, lodging, and rental car usage or a combination of two or more travel charges. Of the 16 samples, seven did not book lodging through CalTravelStore (Concur) and no	<u>Management Memo 14-03</u>  <u>State Administrative Manual Section 4117</u>  <u>DDS Travel Policies and Procedures</u>	Update policies and procedures to relay correct information based on current SAM Section 4117, Management Memo 14-03, and the Statewide Travel Program. Periodically remind staff of the required travel booking site Concur. Remind staff of Concur reservation booking itinerary requirement when processing travel expense claims. Inform employees to contact CalTravelStore first before booking lodgings outside of	DDS will issue an updated Travel Memo and provided training. DDS Travel Unit will continue working with DDS employees to ensure they book their trips through Concur and provide a justification for larger vehicles or for rates that exceed the contract. The Travel Unit will also remind everyone during the monthly travel training.

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	justifications on file. This is a deviation rate of 44%.		Concur, even if it has lower rates, obtain authorization, and document it in travel file.	
F.2 – Vehicle Accident Reporting	The department is not in compliance with vehicle accident reporting requirements. Auditor tested a sample of four accident reports. Of the four samples, two did not have a State Driver Accident Review (STD 274) on file, a deviation rate of 50%. Three of three samples had completed a Vehicle Accident Reports (STD 270) but were not reported and sent to ORIM within 48 hours, a deviation rate of 100%. The three accident reports ranged 4 – 6 days late.	<u>State Administrative Manual section 2430 &amp; 2440</u>  <u>PDC’s Vehicle Accidents/Collisions procedures</u>  <u>PDC Facility Bulletin 55</u>  <u>PDC Facility Bulletin 142</u>	Update policies and procedures to ensure compliance with vehicle accident reporting requirements. Periodically remind employees that vehicle accidents must be reported to ORIM within 48 hours of the accident. Ensure managers are aware of their responsibility to review and co-sign accident reports, ensure the report is submitted to ORIM timely, and they must complete a STD 274, take corrective action if needed, and send a copy to ORIM and DDS’ Safety Coordinator.	DDS is in the process of completing the Fleet Manual that addresses the vehicle Accident Reporting. It is expected to be complete in June 2021. Once the manual is complete it will be distributed to all DDS staff involved in fleet.  Upon completion, manual will be sent to appropriate units including each Developmental Center and STAR home.  DDS will review PDC’s Vehicle Accidents/Collisions procedure to confirm it is in alignment with Headquarters’ Fleet Manual.  An email/bulletin will be sent periodically reminding staff of the importance of reporting accidents immediately.

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F.4 – Compliance with Authorization to Use Privately Owned Vehicle on State Business (STD 261)	The department is not in compliance with ensuring the Authorization to Use Privately Owned Vehicle on State Business (STD 261) is completed for employees who are approved to drive their personal vehicle on state business. Auditor tested a sample of 14 employees who requested personal auto mileage reimbursement between Dec. 2019 - Feb. 2020 for DDS. Of the 14 samples, nine did not have a STD 261 on file. This is a deviation rate of 64%.	<u>State Administrative Manual section 0753</u>  <u>FDC State and Personal Vehicle Use</u>  <u>CSCF Administrative Services Policy 110-State Vehicle Use</u>  <u>PDC Facility Bulletin 55</u>  <u>PDC Facility Bulletin 142</u>	Update policies and procedures to ensure compliance with the STD. 261 process. Periodically remind managers and supervisors that the STD 261 must be updated and signed annually, and a Travel Expense Claims where an employees’ private vehicle is being used for state business cannot be approved without a valid STD 261 on file for that employee.	The STD 261 has been included in the Department of Developmental Services new hire and transfer documentation to be signed upon appointment. All staff email notifications will be sent by the Office of Human Resources on a quarterly basis as a reminder to have a current 261 on file. STD 261 has been added to the Department’s Intranet for accessibility.

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F.5 – Compliance with Defensive Driver Training Requirements (DDT)	The department is not in compliance with defensive driver training requirements. Auditor selected a sample of 18 frequent drivers to test for completion of a defensive driver training course. Of the 18 samples, thirteen did not take defensive driver training within the past four years. This is a deviation rate of 72%. Auditor tested four annual State Agency Defensive Driver Training Reports (HQ, PDC, CS, FDC) that should be signed and submitted to ORIM annually by September 1. Out of four reports, two were not signed and submitted on time. This is a deviation rate of 50%.	<u>State Administrative Manual Section 0751</u>  <u>State Administrative Manual Section 0752</u>  <u>Management Memo 11-04</u>  <u>FDC State and Personal Vehicle Use</u>  <u>CSCF Administrative Services Policy 110-State Vehicle Use</u>  <u>PDC Facility Bulletin 55</u>  <u>PDC Facility Bulletin 142</u>	Update policies and procedures to include a definition of a “frequent” driver which will assist supervisors in identifying employees required to take defensive driver training. Periodically remind staff of the requirements for defensive drivers training to ensure that identified employees attend a defensive driver training course at least once every four years. Implement a method and assign an individual at Headquarters and each Developmental Center to identify, track, compile, and maintain the data for defensive driver training which will assist in the completion of the Annual State Agency Defensive Driver Training Report (due to ORIM annually).	Defensive Driver Training will be tracked by the Department of Developmental Services Training Unit. All staff email notifications will be sent by the Training Unit on a monthly basis as a reminder to take the Defensive Drive Training course and submit the completed certification. The link for the required training has been added to the Department’s Intranet.
G.2 – Property Disposals	The department is not in compliance with the requirements for surplus personal property disposals. DDS does not maintain documents appointing a Property Survey Board for Headquarters and each Developmental Center. A sample of 26 Property Survey Reports (STD 152) were tested for compliance with applicable criteria. Four of 26 samples, a deviation	<u>State Administrative Manual Section 3520</u>  <u>State Administrative Manual Section 3520.2</u>  <u>State Administrative Manual Section 3520.9</u>	Update surplus personal property program policies and procedures to ensure compliance with property disposals. Frequently remind staff of the requirements for surplus property disposal and ensure all staff is trained and knowledgeable. Create and implement policies and procedures related to warehouse space. Create and	DDS is currently working on an Asset Management Manual. Once completed, it will be distributed to the State Operated Facilities (Developmental Centers/STAR Homes) DDS is in the process of creating a property survey board for Headquarters and verifying each Regional Center’s survey board.



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	<p>rate of 15%, did not have approval of two property survey board members nor were they approved by DGS OFAM. Sixteen of 22 applicable samples did not have the Certificate of Disposition completed on the STD 152, a deviation rate of 73%. Furthermore, auditor was unable to determine if the property was disposed of timely, within 30 days of approval, because the date and method of disposal was not completed, a deviation of 27%. In addition, seven of 26 samples were disposed of prior to OFAM approval, a deviation rate of 27%. Two property disposals included e-waste, but there was no evidence that CALPIA was contacted first to dispose of the property or an exemption was obtained. This is a deviation rate of 100%. Also, there appears to be a lack of internal controls for tracking STD 152s. There are five property disposals on OFAMS listing for FY 2019/20 that the department does not have record of and five on DDS' list for FY 2019/20 that OFAM does not have record of. The department does not maintain policies and procedures related to the operation of warehouse space leased by headquarters. The department is not maintaining internal controls for surplus property disposal for Regional Centers including contact</p>	<p><u>STD 152 Instructions</u></p> <p><u>State Administrative Manual Section 8640</u></p> <p><u>State Administrative Manual Section 3520.10</u></p> <p><u>Management Memo 13-08</u></p> <p><u>DDS' Property Inventory Control &amp; Accountability</u></p> <p><u>DDS' State's Equipment Management System's Guidelines</u></p>	<p>maintain a contact listing for Regional Centers property coordinators, provide training to Regional Center staff, and remind them of the requirements to submit completed STD 152s to DDS for tracking.</p>	<p>Upon verification, A contact sheet is being developed to include each Regional Center which will contain the name, email address and phone number of each contact for each Regional Center.</p> <p>DDS will create a training to be given to Regional Center staff regarding the policies, procedures and requirements relating to asset management and completing and submitting STD 152s and 158' DDS.</p> <p>The warehouse does not receive any items from vendors, nor is there a warehouse operator there is no policy or procedure manual. It is used to store surplus furniture, sit-stand desks, reasonable accommodation equipment, e-waste, etc. DDS does not anticipate renewing the lease in 2023.</p>

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	information and copies of processed STD 152s.			
H.2 – Non-IT Goods Over \$10,000  H.3 – IT Goods Over \$10,000  H.4 – IT Services  H.5 – Leveraged Procurement Agreements  H.6 – Non-IT and IT Goods Under \$10,000	The Department of Developmental Services is not ensuring effective controls are in place for compliance with purchasing criteria for Non-IT Goods Over \$10,000, IT Goods Over \$10,000, IT Services, Leveraged Procurement Agreements, and Non-IT and IT Goods Under \$10,000. A total of 68 transactions were tested for compliance with applicable criteria. The following issues were noted: 1. Delegated purchasing authority number not located in the comments section of the purchase document 2. ^Incorrect procurement method (including procurement classification in FI\$Cal not matching procurement file) 3. Emergency purchase documentation and justification incomplete 4. General provisions not referenced on purchase document; incorrect version listed on purchase document; revision date not listed on purchase document 5. ^Complete procurement file not maintained	<u>DDS’ Contracting and Procurement Policy and Procedure Manual</u>  <u>DDS CAL-Card Handbook</u>  <u>STAR Homes Obtaining and Purchasing Goods Policy</u>  1. <u>SCM F, 1.A1.5</u>  2. <u>SCM F, 2.B2.0</u>  3. <u>SCM F, 2.B10.1; 2.B10.3</u>  4. <u>SCM F, 4.B3.1</u>  5. <u>SCM F, 2.A3.0</u>	Strengthen existing, implement additional, and disseminate all policies and procedures to assist in ensuring full compliance with the requirements of the delegated purchasing program. Strengthen communication between Headquarters and the Developmental Centers for purchasing related activities. Continuously provide guidance and training to staff who perform procurement functions, including CAL-Card holders and approvers.	DDS is in the process of updating our Contracting and Procurement Policy and Cal-Card Handbook.  In April of 2021 and email was sent to all procurement buyers and approvers informing them that they must complete, at a minimum, the DGS CalPCA Basic Acquisition class and forward their certificate to Customer Support. It is DDS’s intention that every individual in the procurement/contract process complete this series every three years.  DDS is also working on two separate in-house trainings. One will be a contract/procurement training that is specific to DDS. The other is a Cal-Card training which will be an in-depth look at what is required when using a Cal-Card.  Both trainings will include the requirements related to the procurement process and on the back up documentation required.

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	6. ^Procurement file checklist not consistently used; incorrect fair and reasonable checklist 7. Seller’s permit not found in the procurement file 8. DFEH not notified of purchases awarded over \$5,000 9. *General provisions and bidder instructions not referenced on the solicitation; DVBE program requirements or waiver not addressed in the solicitation. 10. Solicitation not used or not documented in the procurement file; solicitation not sent to minimum of two vendors for effective competition 11. Solicitation not used for IT Goods purchase over \$50,000 12. Bid/Quote worksheet not used 13. *Comparable bids not obtained for effective competition 14. Not utilizing the NCB process for applicable transactions 15. Proprietary software documentation not in file 16. Signing and agreeing to vendors Terms and Conditions 17. *SB/DVBE certification status not verified for vendors	6. <u>SCM F, 2.B6.7</u>  7. <u>SCM F, 4.B3.3</u>  8. <u>SCM F, 9.E4.0</u>  9. <u>SCM F, 4.B3.0;</u> <u>4.B3.1; 4.D1.1;</u> <u>4.D2.2; 3.A3.0 -</u> <u>3.A3.2; 4.B1.4</u>  10. <u>SCM F, 4.D1.0;</u> <u>4.D1.1; 4.C2.1</u>  11. <u>SCM F, 4.D1.2</u>  12. <u>SCM F, 4.D2.3</u> 13. <u>SCM F, 4.C2.0 –</u> <u>4.C2.5</u> 14. <u>SCM F, Chapter 6</u>  15. <u>SCM F, 6.6.0;</u> <u>6.6.1; 6.6.6</u> 16. <u>SCM F, 6.7.3</u>  17. <u>SCM F, 3.A2.5;</u> <u>4.D3.1</u>	

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	18. *Signed Bidder Declaration for certified SB/DVBE vendors not found in procurement file	18. <u>SCM F, 3.A4.7</u>	
	19. CUF not determined for SB/DVBE vendors	19. <u>SCM F, 3.A2.6 – 3.A2.8; 3.A7.1</u>	
	20. Fair and reasonable method and documentation incorrect	20. <u>SCM F, 6.9.0 – 6.9.4</u>	
	21. Incorrect use and documentation of SB/DVBE off-ramp to mandatory LPA	21. <u>SCM F, 5.B1.6</u>	
	22. CDTFA and FTB not reviewed to ensure vendor is not a prohibited vendor	22. <u>SCM F, 2.B4.5</u>	
	23. Mandatory LPA contract not used	23. <u>SCM F, 5.I3.0</u>	
	24. LPA General Terms and Conditions not included on purchase order	24. <u>SCM F, 5.A1.10; FI\$Cal Job Aid, FI\$Cal.223</u>	
	25. Not maintaining a complete copy of the LPA contract; not maintaining a copy of the LPA contract price page in the procurement file; purchase not made in accordance with LPA Terms and Conditions and pricing	25. <u>SCM F, 5.A1.0; 5.A1.5; 5.A1.7</u>	
	26. Multiple offers not obtained for required LPA contracts; documentation for non-bidding vendors not requested or maintained in the procurement file; best value not determined, and evaluations not completed for bidders	26. <u>SCM F, 5.A2.0; 5.F1.0; 5.A2.2 – 5.A2.7; 5.A3.0</u>	

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AUDIT STEP	CONDITION	CRITERIA	RECOMMENDATION(S)	
	<p>27. Signed Certification for IT Compliance not completed for IT transactions over \$5,000</p> <p>28. Purchase documents are not utilized for CAL-Card transactions over \$2,500</p> <p>29. Procurement files not maintained for CAL-Card transactions</p> <p>30. ^FI\$Cal SCPRS information (method, dollar amount, amendments) inaccurate for Fairview DC and Sonoma DC purchase transactions</p> <p>31. Incomplete contract and procurement logs</p> <p>*This is a finding noted in the previous Delegated Purchasing Program Audit Report for DDS dated September 25, 2017.</p> <p>^This is a deficiency noted in the prior Purchasing Authority Accreditation Review conducted in 2018 by DGS Procurement Division.</p>	<p>27. <u>SCM F, 2.E5.0</u></p> <p>28. <u>SCM F, 8.B4.0;</u> <u>8.B4.1</u></p> <p>29. <u>SCM F, 8.B2.2</u></p> <p>30. <u>SCM 3, 5.3.4;</u> <u>8.1.1; MM 16-03</u></p> <p>31. <u>SCM F, 1.A3.6</u></p>		
<p>H.7 – Acquisitions Paid by CAL-Card</p>	<p>The Department of Developmental Services is not in compliance with requirements for acquisitions paid by CAL-Card. There appears to be a lack of internal controls over the CAL-Card program while cardholders maintain high purchasing limits. A sample of 32 monthly statements with 159 transactions from October and</p>	<p><u>SCM F, 8.B3.2</u></p> <p><u>DDS CAL-Card Handbook</u></p> <p><u>STAR Homes Obtaining and Purchasing Goods Policy</u></p>	<p>Update and distribute the DDS CAL-Card Handbook. Provide CAL-Card and procurement training for the CAL-Card coordinator, cardholders, and approvers. Update and distribute policy and procedure for STAR Homes Obtaining and Purchasing Goods for all locations and provide guidance on allowable</p>	<p>DDS is in the process of updating our Cal-Card Handbook.</p> <p>In April of 2021 and email was sent to all procurement buyers and approvers informing them that they must complete, at a minimum, the DGS CalPCA Basic Acquisition class and</p>

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	<p>November 2020 were tested for compliance. Sixteen of 32 monthly statements were not reconciled and signed by the cardholder, a deviation rate of 50%. Twenty-six of the 32 monthly statements were not reviewed and signed by the CAL-Card approver, a deviation rate of 81%. Five of 32 monthly statements did not submit a monthly statement or receipts to accounting, a deviation rate of 16%. Invoices were missing for 24 of 159 transactions in the October and November 2020 statements, a deviation rate of 15%. This creates a risk for fraud, waste and abuse.</p>		<p>purchases, vendors, and documentation requirements. Periodically remind CAL-Card holders and approvers of CAL-Card requirement through departmentwide memos or bulletins.</p>
			<p>forward their certificate to Customer Support. It is DDS’s intention that every individual in the procurement/contract process complete this series every three years. This requirement includes all Cal-Card holders and approvers.</p> <p>DDS is also working on two separate in-house trainings. One will be a contract/procurement training that is specific to DDS. The other is a Cal-Card training which will be an in-depth look at what is required when using a Cal-Card.</p> <p>The training will include the requirements related to the procurement process as it relates to a Cal-Card purchase and on the back up documentation required.</p> <p>DDS will review the STAR Policies and Procedures Manual and make any necessary updates.</p> <p>A reminder email will be sent periodically to all Cal-Card holders and approvers of the Cal-Card requirements and a periodic review of Cal-Card Statements will be completed. Cal-Card purchasing limits have been reviewed and reduced as appropriate.</p>

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H.8F- Prompt Payment to Vendors	The Department of Developmental Services is not in compliance with the California Prompt Payment requirements. Furthermore, DDS is not in compliance with requirements to maintain complete and accurate procurement logs. A sample of 43 invoices were tested to verify compliance. Twelve of 43 samples, a deviation rate of 28%, were paid late (45 days after the invoice receipt date) with estimated penalties of \$13,752.39 owed. An additional three of 45 samples, a deviation rate of 7%, took over 30 days to process at DDS, beyond the 30-day department processing requirement per the prompt	<u>SCM F, 8.A1.1</u> <u>SCM F, 8.A1.2</u> <u>SCM F, 8.A5.2</u> <u>SCM F, 8.A5.3</u> <u>SCM F, 1.A3.6</u> <u>DDS' Contracting and Procurement Policy and Procedure Manual</u>	Update policies and procedures for prompt payment requirements and ensure all staff involved have access to the policies and procedures. Create a memo and periodically distribute to staff to remind them of the prompt payment guidelines as directed by GC 927. Be sure to include that the invoice must be date stamped, time clock begins when the invoice is first received in the department, provide a set processing time for program and accounting to ensure the invoice is sent to SCO for payment within 30 days, and include the requirement to use the Invoice Dispute	A memo has been drafted and is currently under review by management with an expected release date in May 2021.

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	<p>payment act. The department does not date stamp invoices upon receipt. Of the 43 samples tested, it appears 34 of 43, a deviation rate of 79%, did not have a date stamp. Lastly, four of 43 samples, a deviation rate of 9%, could not be traced back to a purchase order or contract log.</p> <p>Note: The amount of late payment penalties on the Late Payment Penalties Report for FY 2016/17 was noted as the third greatest for the entire state per the Purchasing Authority Accreditation Review conducted in 2018 by DGS Procurement Division. DDS was instructed to implement a plan to reduce late payment penalties paid.</p>		<p>Notification within 15 days of receipt when the invoice is disputed. Provide training to new contract managers regarding roles and responsibilities including receiving and approving invoices and prompt payment requirements. Update policies and procedures to include the requirement for maintaining accurate contract and procurement logs.</p>



# DEPARTMENT OF DEVELOPMENTAL SERVICES (DDS)

## COMPLIANCE AUDIT

### EVALUATION OF DDS' RESPONSE

We have reviewed the response by the Department of Developmental Services (DDS) to our draft report. The response to the recommendations is satisfactory and we appreciate the efforts taken or being taken by DDS 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, samples, screenshots, and/or copies of the following (related recommendation(s) noted):

- 1) Updated Contracting & Procurement Policy and Procedure Manual and Cal-Card Handbook; April 2021 email sent to all procurement buyers and approvers informing each of the requirement to complete the mandatory DGS CalPCA Basic Acquisition class; and in-house training syllabi/agendas related to contracting/procurement activities and CAL-Card Program practices (Recommendation #s 1-4).
- 2) Updated STAR Policies and Procedures Manual (#4).
- 3) May 2021 memo addressing the prompt payment of vendor invoices (#5).
- 4) New hire and transfer documentation showing the addition of the STD. 261 certification requirements; quarterly email notifications sent by OHR; and new Intranet accessibility of the STD. 261 (#6).
- 5) Monthly email notifications sent by the Training Unit as reminders to those that are due to take the Defensive Drive Training (DDT) course at least once every four years and new Intranet accessibility of the DDT (#7).
- 6) Since not addressed in its response, DDS is reminded to implement policies and procedures which will ensure that the Annual State Agency Defensive Driver Training Report for each of its major operating units is accurately prepared and submitted to DGS by September 1 of each year (#8).

- 7) Updated Fleet Asset Manual; assignment of Division Fleet Coordinators; and master inventory Excel spreadsheet which will serve as a centralized internal tracking and reconciliation system of all fleet assets (#9).
- 8) Updated Travel Memo which addresses the need for employees required to travel on state business to secure all of their travel needs through either Concur Travel or the CalTravelStore and to ensure the SCO Justification Form is completed and submitted with the invoice when rental car transactions exceed contracted rates; and syllabi/agendas for the monthly travel training provided by the DDS Travel Unit related to booking trips through Concur and submitting proper justification to SCO (#s 10 & 12).
- 9) Updated State Fleet Card Program policies and procedures and Fleet Card Manual; emails or other means used to distribute the revised manual to all Development Centers (DCs); and reminders sent to the Fleet Card Administrator regarding completion and submission of the Annual Certification due to OFAM by June 30<sup>th</sup> of each year (#11).
- 10) Updated Asset Management Manual; emails or other means used to distribute the revised manual to the State Operated Facilities (DCs/STAR Homes); formal appointment of HQ's and verification of each DC's Property Survey Board; and training syllabi/agendas created by DDS for Regional Center staff regarding the policies, procedures and requirements related to asset management and surplus personal property disposals (#s 13 & 14).