



MEMORANDUM

Date: November 5, 2021 File No.: 1122

To: **Steve Gordon, Director**
Department of Motor Vehicles
2415 1st Ave., Mail Station F101
Sacramento, CA 95818-2606

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 Motor Vehicles (DMV). 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).

DMV'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 to us on your department's official letterhead the status report by May 5, 2022.

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: any updated sections of DMV's Fleet Policy and Procedure Manual and quarterly emails sent relative to DDT and STD. 261 compliance.

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 DMV'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 Rhonda Parker, Management Auditor, at (916) 375-4590/Rhonda.Parker@dgs.ca.gov.

Dennis M Miras

DENNIS M. MIRAS, CIA
Manager, Office of Audit Services

Attachment

cc: Robert Crockett, Deputy Director, ASD
Gini Corbitt, Chief of Audits, EXE
Leanna Sinibaldi, Manager, Internal Audits Branch, EXE
Debbie Casey, Branch Chief, Business Management Branch, ASD

**GOVERNMENT OPERATIONS AGENCY
DEPARTMENT OF GENERAL SERVICES**

**AUDIT OF THE
DEPARTMENT OF MOTOR VEHICLES**

**FOR COMPLIANCE WITH STATE
BUSINESS MANAGEMENT POLICIES
REPORT NO. 1122**

OFFICE OF AUDIT SERVICES

AUGUST 2021

**DEPARTMENT OF MOTOR VEHICLES
(DMV)**

**COMPLIANCE AUDIT
REPORT NO. 1122**

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STATE OF CALIFORNIA
DEPARTMENT OF GENERAL SERVICES
AUDITOR'S REPORT

DATE: November 5, 2021

TO: **STEVE GORDON**, Director
Department of Motor Vehicles

This report presents the results of our compliance audit of the business management functions and services of the Department of Motor Vehicles (DMV). 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 (SAM), 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 and procedures governing DMV's fleet and travel services administration, small business and disabled veteran business enterprise 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 DMV 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 DMV in addressing these issues:

- DMV's 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.
- Policies and procedures are not ensuring that frequent drivers attend a defensive driver training course at least once every four years.

During our review we also identified other matters requiring attention, but that did not pose a significant risk to the business management functions, which were discussed with DMV's management and are not further detailed in this report. Discussed was the importance of strengthening controls to ensure: all lodging is booked through the state's travel program; the Employee Pull Notice Program is utilized as intended; and surplus personal property is disposed of in accordance with SAM.

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, DMV'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. DMV'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 our recommendations as well as our evaluation of the response are included in this report.

We sincerely appreciated the cooperation and assistance provided by DMV'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 Rhonda Parker, Management Auditor, at (916) 375-4590/Rhonda.Parker@dgs.ca.gov.

Dennis M Miras

DENNIS M. MIRAS, CIA
Manager, Office of Audit Services

Staff: Rhonda Parker, Management Auditor

cc: Robert Crockett, Deputy Director, ASD
Gini Corbitt, Chief of Audits, EXE
Leanna Sinibaldi, Manager, Internal Audits Branch, EXE
Debbie Casey, Branch Chief, Business Management Branch, ASD

DEPARTMENT OF MOTOR VEHICLES

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 Motor Vehicles (DMV) 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 over: the annual certification and authorization to use privately owned vehicles on state business; and frequent drivers attending defensive driver training.

This information was developed based on our fieldwork conducted over the period of March 23, 2021 through August 20, 2021. In addition to this written report, as findings were observed and developed during our audit fieldwork, DMV's management was promptly advised of any areas of concern so that they could begin taking corrective action. Further, during our August 20, 2021 audit exit conference, DMV 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 2020-21 fiscal year.

DRIVER SAFETY AND INSURANCE PROGRAM

DMV 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 testing of employees who claimed reimbursement for private car usage during the period December 2019 through November 2020, a current STD. 261 was not available for 55 (53%) of the 103 employees included in our sample 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
- **Defensive Driver Training** – our review of a sample of 108 drivers who claimed reimbursement for private car usage revealed that 62 (57%) had not attended a defensive driver training (DDT) course within the last four years. It should be noted that 52 of these employees did subsequently complete the course as a result of the auditor's inquiry.

SAM Section 0751 and DMV's own Fleet Manual provides that frequent drivers should attend and successfully complete an approved defensive driver training course at least once every four years.

When advised of this issue, DMV stated that it had recently implemented a Learning Management System (DMV University) that provides online access to register for DDT and complete the course through DGS. DMV University is now the central repository for DDT certificates and will assist supervisors to better track compliance. It is also updating existing policies and procedures to include information on registering for the course through the DMV University. An annual DDT email notification will emphasize to managers and supervisors their responsibility for ensuring employees who consistently drive on state business and/or are in the Employee Pull Notice program to attend an approved DDT course at least once every four years. It should be noted that we were unable to verify any of these activities nor perform effectiveness tests to determine whether these corrective actions were functioning as intended.

While DMV does have policies and procedures in place relative to the use of the STD. 261 form as well as attendance of the DDT course, it is clear that these efforts are not being consistently enforced nor are functioning as desired.

Recommendations

1. 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.
2. Implement policies and procedures which will ensure that frequent drivers attend a defensive driver training course at least once every four years. These measures should include periodic reminders to operating unit staff/supervisors/managers of their responsibilities for ensuring compliance with these requirements.

CONCLUSION

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

OFFICE OF THE DIRECTOR
DEPARTMENT OF MOTOR VEHICLES
P.O. BOX 932328
SACRAMENTO, CA 94232-3280



November 3, 2021

Dennis Miras
Department of General Services
Office of Audit Services
707 3rd Street
West Sacramento, California 95605

Dear Dennis Miras:

The Department of Motor Vehicles (DMV) appreciates the opportunity to respond to the Department of General Services (DGS) draft report titled "Compliance with State Business Management Policies," dated October 20, 2021. DMV agrees with the DGS findings and recommendations and recognizes that opportunities exist to further improve DMV's state business management policies. The DGS findings and DMV's responses are as follows:

FINDING 1: 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.

DMV RESPONSE:

The DMV's Fleet Policy and Procedure Manual states employees are required to annually complete the STD. 261 and states the authorizing supervisor is required to retain the STD. 261 on file and coordinate the annual renewal for the employee. The supervisor is also responsible for verifying the employee has a STD. 261 on file prior to signing a Travel Expense Claim. Effective July 2021, DMV implemented sending quarterly emails to all staff reminding them of the requirement to have a STD. 261 on file if driving their own vehicle while conducting state business.

FINDING 2: DEFENSIVE DRIVER TRAINING – Policies and procedures are not ensuring that frequent drivers attend a defensive driver training course at least once every four years.

DMV RESPONSE:

DMV's Fleet Policy and Procedure Manual outlines the requirement for staff to complete a DGS approved defensive driver training course. Recently, DMV put in place an online Learning Management System (DMV University), which allows for

Mr. Miras
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centralized training catalogue and certificate repository. Employees can access defensive driver training on demand through the DMV University system and upload certificates upon training completion. In addition, effective July 2021, DMV implemented sending quarterly emails to all team members reminding them of the requirements to complete defensive driver training and uploading a certificate of completion to DMV University.

DMV would like to thank Rhonda Parker, DGS auditor for her hard work and assistance during this audit. We find the audit report helpful in identifying opportunities to strengthen our controls. If you have any questions or concerns, please contact Gini Corbitt, Chief of Audits, at Gini.Corbitt@dmv.ca.gov.

Sincerely,



STEVE GORDON

Director

cc: Robert Crockett, Deputy Director, Administrative Services Division (ASD), DMV
Gini Corbitt, Chief of Audits, Executive Division (EXE), DMV
Debbie Casey, Chief, Business Management Branch, ASD, DMV
Leanna Sinibaldi, Manager, Audits Office, EXE, DMV

**DEPARTMENT OF MOTOR VEHICLES
(DMV)**

COMPLIANCE AUDIT

EVALUATION OF DMV'S RESPONSE

We have reviewed the response by the Department of Motor Vehicles (DMV) to our draft report. The response to the recommendations is satisfactory and we appreciate the efforts taken or being taken by DMV 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: any updated sections of DMV's Fleet Policy and Procedure Manual and quarterly emails sent relative to DDT and STD. 261 compliance.