



MEMORANDUM

Date: June 27, 2023

File No.: 2122

To: **Nancy Ward**, Director
California Governor's Office of Emergency Services
3650 Schriever Avenue
Mather, CA 95655-4203

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 Governor's Office of Emergency Services (Cal OES). 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).

Cal OES' 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 December 27, 2023.

To the extent that it is practicable, proof-of-practice and supporting documentation should explain/outline specific actions taken and include excerpts, samples, screenshots, and/or copies of documents and communications which demonstrate corrective measures employed to address each of our recommendations, consistent with Cal OES' individual formal responses to our draft report.

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 the cooperation and assistance provided by Cal OES' 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 Maricela Bautista, Management Auditor, at (279) 799-3742/Maricela.Bautista@dgs.ca.gov.

Dennis M Miras

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

Attachment

cc: Eric Swanson, Deputy Director, Finance and Administration, Cal OES
Marvin Green, Deputy Director, Logistics Management, Cal OES
Ralph Zavala, Chief, Internal Audits Office, Cal OES
Purchasing Authority Management Section, Procurement Division, DGS

**GOVERNMENT OPERATIONS AGENCY
DEPARTMENT OF GENERAL SERVICES**

**AUDIT OF THE
CALIFORNIA GOVERNOR'S OFFICE
OF EMERGENCY SERVICES**

**FOR COMPLIANCE WITH STATE
BUSINESS MANAGEMENT POLICIES
REPORT NO. 2122**

OFFICE OF AUDIT SERVICES

FEBRUARY 2023

**CALIFORNIA GOVERNOR'S OFFICE OF EMERGENCY SERVICES
(Cal OES)**

**COMPLIANCE AUDIT
REPORT NO. 2122**

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STATE OF CALIFORNIA
DEPARTMENT OF GENERAL SERVICES
AUDITOR'S REPORT

DATE: June 27, 2023

TO: **Nancy Ward**, Director
California Governor's Office of Emergency Services

This report presents the results of our compliance audit of the business management functions and services of the California Governor's Office of Emergency Services (Cal OES) 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.

As applicable, the scope of this audit included, but was not limited to, compliance with policies and procedures governing contracting, fleet and travel services administration, small business (SB) and disabled veteran business enterprise (DVBE) usage, driver safety and insurance, surplus property, real estate, and delegated purchasing. Our audit was conducted in accordance with U.S. generally accepted auditing standards.

While in most areas we concluded that Cal OES 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 Cal OES in addressing these issues:

- Cal OES' 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 instead each outlined later within the body of this report.

- Cal OES' 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. Finally, current processes are not facilitating the identification and enrollment of required employees into the Department of Motor Vehicle's Employer Pull Notice Program.
- Cal OES' fleet administration program is not ensuring full compliance with state policies and procedures, including the: (1) accounting of all vehicle pink slips; (2) collection and reconciliation of vehicle inventory data; (3) reporting of fleet asset usage information into DGS' Fleet Asset Management System in a consistent, accurate and timely manner; and (4) compliance with the State Fleet Card Program.
- Motor vehicle accidents are not being reported to DGS' Office of Risk and Insurance Management in a timely manner. Further, supervisors are not always completing a report containing an evaluation of the cause of each accident.
- Travel services policies and procedures are not ensuring that employees who travel to conduct state business make all travel arrangements through DGS' Statewide Travel Program.
- Contracting program policies and procedures are not ensuring full compliance with state contracting requirements. The types of exceptions noted during our audit included: (1) no formal, written policies and procedures in place related to DVBE sub-contractor reporting requirements; (2) prime contractors not being required to report the actual percentage of SB/DVBE subcontractor participation; and (3) a DVBE subcontracting report not being submitted to DGS annually as required.

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 Cal OES' management and are not further detailed in this report. These included: service order files not fully documenting how fair and reasonable justification is established; and authorizations allowing the storage of state vehicles at employees' residences are not consistently documented.

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, Cal OES' management agreed with all issues discussed and provided assurances that prompt actions had been or would be taken to address our concerns. However, we did not perform effectiveness tests to determine whether such corrective measures would function as intended.

Cal OES' management is reminded that it 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 Cal OES' 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 Maricela Bautista, Management Auditor, at (279) 799-3742/Maricela.Bautista@dgs.ca.gov.

Dennis M Miras

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Manager, Office of Audit Services

Staff: Maricela Bautista, Management Auditor

cc: Eric Swanson, Deputy Director, Finance and Administration
Marvin Green, Deputy Director, Logistics Management
Ralph Zavala, Chief, Internal Audits Office
Purchasing Authority Management Section, Procurement Division, DGS

CALIFORNIA GOVERNOR'S OFFICE OF EMERGENCY 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 California Governor's Office of Emergency Services (Cal OES) 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; driver safety and insurance program; administration of fleet and travel management operations; reporting of vehicle accidents; and contracting for services.

This information was developed based on our fieldwork conducted over the period of March 28, 2022 through February 21, 2023. In addition to this written report, as findings were observed and developed during our audit fieldwork, Cal OES' management was promptly advised of any areas of concern so that they could begin taking corrective action. Further, during our February 21, 2023 audit exit conference, Cal OES 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 2021-22 and 2022-23 fiscal years.

DELEGATED PURCHASING PROGRAM

While we concluded that Cal OES has implemented a delegated purchasing program that ensures compliance with the state's primary procurement requirements, our tests of a sample of 83 transactions (consisting of 43 purchases over \$10,000, 20 purchases under \$10,000, and 20 leveraged procurement agreement (LPA) transactions) disclosed several areas for improvement that need to be addressed to fully comply with delegated purchasing requirements. When a department is transacting in FI\$Cal (Financial Information System for California), as Cal OES currently does, the state's delegated purchasing requirements are primarily contained in Consolidated State Contracting Manual (SCM) Volume 2, (SCM 2).

Since the specific instances of noncompliance were discussed with responsible management and staff 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]:

- State's general provisions incorporated in the purchase document ¹ (SCM 2, 1403.3) [10%]
- Sellers' permits maintained in the procurement file ¹ (SCM 2, 1403.3) [8%]
- Purchases over \$5,000 are reported to DFEH (Department of Fair Employment and Housing) (SCM 2, 2200.4) [10%]
- Solicitations, with referenced bidder instructions and general provisions, located in the procurement file ¹ (SCM 2, 1403.3 and 1405.2) [3%]
- Small business (SB) and disabled veteran business enterprise (DVBE) vendor certification verified (SCM 2, 1200) [14%]
- SB/DVBE option accurately used for transactions between \$5,000.01 and \$249,999.99 with supporting documentation (SCM 2, 1200) [5%]
- Fair and reasonable support maintained in the official file (SCM 2, 1510) [50%]
- Commercially Useful Function (CUF) evaluations performed to determine SB/DVBE status (SCM 2, 1200.1) ¹ [13%]
- Signed Bidder Declarations for certified SB/DVBE vendors placed in the procurement file (SCM 2, 1202) [9%]
- Signed Bidder Declarations for certified DVBE vendors placed in the procurement file (SCM 2, 1201) [55%]
- Emergency purchases sufficiently documented, justified, and meet the criteria as described in the Consolidated State Contracting Manual (SCM 2, 800) [17%]
- DGS - Office of Fleet and Asset Management (OFAM) proof of approval in the procurement file for mobile equipment purchases or repairs (SCM 2, 409) [14%]
- Solicitations expected to exceed \$100,000 containing the TACPA (Target Area Contract Preference Act) provision applying workplace and workforce preferences, as applicable to eligible California-based companies (SCM 2, 1207 and 1403.1) [100%]
- 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 2, 605) [100%]
- LPA documentation:
 - LPA user instructions maintained in the procurement file (SCM 2, 1602) [15%]

¹ These conditions previously existed and were included in our Delegated Purchasing Program Audit Report to Cal OES dated July 2014

- LPA contract cover pages are maintained in the procurement file (SCM 2, 1602) [15%]
- LPA contract pricing pages are maintained ¹ (SCM 2, 1602) [10%]

While it was difficult to determine the primary cause(s) for each of the aforementioned exceptions, responsible staff (ie: buyers) not being fully aware of or trained on all applicable requirements and simple oversight while processing these types of transactions were all found to be contributing factors and challenges.

Recommendations

1. Implement additional and disseminate all policies, procedures, and tools (ie: checklist(s)) 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. Ensure that all new and seasoned personnel who actively procure for Cal OES are trained in, are knowledgeable of, and understand all procurement requirements as prescribed in the SCM, LPA User Instructions, and any other applicable state laws, rules, policies, and regulations.

DRIVER SAFETY AND INSURANCE PROGRAM

Cal OES 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** ² – 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, a current STD. 261 was not available for 20 (54%) of 37 employees included in our sample tests prior to using their own vehicle on state business.

² These conditions previously existed and were included in our Compliance Audit Report to Cal OES dated November 2016

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

This condition exists due to Cal OES not sending out department wide annual reminders as well as absent/relaxed oversight by management prior to approving applicable travel expense claims.

- **Defensive Driver Training**² – our review of a sample of 152 frequent drivers found that 63 (42%) 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.

The Cal OES unit responsible for managing the department's DDT program has apparently been understaffed, resulting in this training requirement not fully being tracked and enforced properly.

- **DMV Employer Pull Notice (EPN)** – our audit revealed that the department is not ensuring that employees who drive on state business as a condition of employment are enrolled in the Department of Motor Vehicles (DMV) Pull Notice Program.

SAM Section 0751 requires agencies to participate in the DMV "Employer Pull Notice Program" if they have employees who operate vehicles on official business as a condition of employment for Class A, B, or Class C drivers' licenses with special certificates. A sample of 725 employees revealed 187 (26%) were not enrolled as required.

Presumably, Cal OES' Human Resources lacked the essential procedures necessary to adequately administer the department's EPN program, including sufficient oversight in reconciling and updating its internal records to ensure full EPN participation.

Recommendations

3. 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. These should specify where and by whom forms should be maintained and the annual timeframe when STD. 261 forms are due for renewal to ensure employees and management are on the same cycle.
4. Periodically reemphasize to operating unit staff/supervisors/managers 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.
5. Update and enforce current policies and procedures related to the DMV EPN Program, to include creating a system to track job classifications which require enrollment.

FLEET MANAGEMENT PROGRAM

Cal OES needs to strengthen its oversight of the department's fleet administration program. Specifically, the following areas need further attention:

- ***Fleet Asset Management System (FAMS) Reporting*** – Cal OES' existing processes are not ensuring that vehicle information is accurately 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 Cal OES did not have a complete accounting of its vehicles and their usage for the nearly 700 active fleet assets it owns (including nearly 150 permitted to be stored at employees' homes). As a result, Cal OES 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 monthly, including fuel and utilization data. This is necessary 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 that Cal OES did not maintain a complete accounting of the total number and ownership status of its vehicles throughout its entire department. When we requested it to do so, Cal OES was unable to provide us with copies of pink slips (certificates of title) for seven (14%) of the 51 vehicles sampled for testing against official property records.

Additionally, Cal OES' internal property records included vehicles that had been sold or surveyed, but which were recorded as still actively owned in its inventory accounts. This condition affected six (12%) of the 51 vehicles sampled.

Finally, when we attempted to reconcile fleet asset data reported to OFAM against supporting documentation provided by Cal OES, we noted a large number of discrepancies which totaled in excess of 7,000 usage gaps, reflecting approximately 74% of usage data entered.

We were told that these conditions exist due to the department's Fleet Unit has been understaffed, coupled with a lack of resources, which have forced Cal OES to face challenges in managing its vehicle inventory and in properly reporting its vehicle usage into FAMS in a timely and accurate manner.

- **State Fleet Card Program** – Cal OES has not implemented adequate and effective policies and procedures that ensure the satisfactory 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.

Specifically, our review of 44 employees with frequent access to using a state fleet card revealed that 15 (34%) did not have a signed fleet card user agreement on file prior to our request acknowledging they understand the policies and procedures regarding usage; 13 (30%) of these did later sign the agreement upon our request during testing.

The State Fleet Card Program requires that participating departments comply with several 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.

Again, the apparent lack of staff and resources may have led to this condition.

Recommendations

6. Update existing 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 the total number and ownership status, as well as usage information, of all its vehicles. These actions should address all of the weaknesses noted above within the FAMS reporting section, including working with DGS OFAM to reduce the pervasive number of usage gaps and properly accounting for all its sold and surveyed vehicles.
7. Establish a uniform and centralized management and tracking system that will ensure the adequate control of all state fleet cards. This process should require all card users to sign the agreement addressing compliance with usage policies and procedures.

REPORTING AND REVIEW OF VEHICLE ACCIDENTS ²

Current policies and procedures in place designed to ensure the sufficient and timely reporting of vehicle accidents to DGS' Office of Risk and Insurance Management (ORIM) are not operating as intended. Specifically, during our review of Cal OES' accident reporting process for the period of January 2021 through April 2022, of 39 accidents tested and reported to ORIM, we noted 20 accident reports (51%) on file that had been submitted to ORIM up to 101 days late. To allow it to effectively administer the state's motor vehicle self-insurance program, SAM Section 2430 provides that a Report of Vehicle Accident (STD. 270) form be submitted to ORIM within 48 hours of an accident.

We also determined that a report containing a supervisor's evaluation of an accident's cause was not on-file for 16 (41%) of the 39 accidents we tested. SAM Section 2440 requires that the supervisor of an employee involved in an accident prepare a Review of State Driver Accident (Supervisor's), STD. 274, report; take appropriate action; and forward copies of the report to both ORIM and the agency's safety coordinator.

Once again, understaffing was provided as the primary contributing factor for this condition.

Recommendation

8. Implement policies and procedures which ensure that a motor vehicle accident report is submitted to ORIM within 48 hours of an accident and that supervisors complete the report containing an evaluation of the cause of the accident.

TRAVEL SERVICES PROGRAM

Cal OES needs to strengthen its administration over its travel services program. Specifically, the following area needs further attention:

- **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. Our audit analyses revealed five (5) of 25 employees (20%) had not booked their lodging reservations through either the CalTravelStore or Concur Travel.

DGS Management Memo 14-03 and SAM Section 4117 require all travel arrangements (airfare, hotel, commercial car rental, and rail) be made through DGS' Statewide Travel Program (STP). This program provides for government travelers' needs by obtaining the most economical rates and fares available using 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 it is an acceptable exception to reserve directly with the hotel establishment for purposes of trying to save the state money. Additionally, the absence of periodic reminders to employees that all travel needs must be obtained through the state's travel program was also apparently a contributing factor.

While meaning well, these travelling employees may actually be causing Cal OES 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.

Recommendation

9. Reinforce and communicate existing travel policies and procedures to ensure that all employees required to travel on state business secure all their travel needs through either Concur Travel or the CalTravelStore. Employees should be periodically reminded to always work with 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.

CONTRACTING PROGRAM

Overall, we determined that Cal OES was conducting its contracting program in compliance with state requirements. However, our sample tests of the various types of contracts³ processed disclosed a few areas for improvement that need to be addressed to fully comply with the state's service contracting requirements. The state's contracting requirements are primarily contained in SCM Volume 1.

Since the instances of noncompliance were discussed with responsible management and staff during our audit fieldwork, they are not detailed in this report. However, the types of exceptions noted included weaknesses involving the following contracting practices (applicable criteria provided):

- Formal, written policies and procedures related to DVBE sub-contractor reporting requirements are in place
- Prime contractors required to report, within 60 days of receiving final payment under a contract, the actual percentage of SB and/or DVBE subcontractor participation that was achieved (SCM 1, 8.16(C) & 8.20(I) and DGS' PD (Procurement Division) Bulletin #P-19-14)
- The State Department's Contractor DVBE Subcontracting Consolidation Report (DGS PD 810D) is submitted to DGS' OSDS (Office of Small Business and Disabled Veteran Business Services) by November 1st of each year (DGS' PD Bulletin #P-19-14)

Staff's unawareness of all applicable contracting rules, insufficient training, and inadequate management oversight are all attributed to these above conditions.

Recommendation

10. Implement additional quality assurance policies and procedures which will ensure full compliance with SB and DVBE state contracting requirements. These activities should address each of the issues noted above.

CONCLUSION

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

³ The types of contracts tested for compliance included both contracts subject to DGS review and approval (generally contracts totaling more than \$50,000) and those delegated to Cal OES to directly execute (mainly contracts totaling \$50,000 or less).



June 19, 2023

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

Dear Mr. Dennis Miras:

The California Governor's Office of Emergency Services (Cal OES) received the California Department of General Services (DGS) Draft Audit Report via email on May 30, 2023. The audit was conducted on Cal OES's business management functions, services, and its delegated purchasing program. The draft audit report identified six (6) areas that needed improvement and presented ten (10) recommendations. Cal OES appreciates the opportunity to comment on DGS's recommendations.

Below are Cal OES's responses to DGS's recommendations:

1. DELEGATED PURCHASING PROGRAM

Cal OES' delegated purchasing authority (DPA) practices are not in full compliance with several applicable state requirements governing these types of procurements.

DGS's recommendation(s):

1. Implement additional and disseminate all policies, procedures, and tools (i.e: checklist(s)) to assist in ensuring full compliance with all requirements of the delegated purchasing program.
2. Ensure that all new and seasoned personnel who actively procure for Cal OES are trained in, are knowledgeable of, and understand all procurement requirements as prescribed in the State



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Contracting Manual (SCM), leveraged procurement agreement (LPA) User Instructions, and any other applicable state laws, rules, policies, and regulations.

Cal OES Response:

Cal OES agrees with DGS's recommendations. Cal OES is working on updating its purchasing policies and procedures and implementing tools –such as checklists– to assist in ensuring full compliance with all requirements of the delegated purchasing program. The policies and procedures will address the exceptions noted in DGS's report regarding purchasing practices.

All new and seasoned personnel who actively procure for Cal OES will be required to complete the California Procurement and Contracting Academy, Basic Acquisition course series, and all future supplemental training so that they are knowledgeable of and understand all procurement requirements as prescribed in the State Contracting Manual (SCM), leveraged procurement agreement (LPA) User Instructions, and any other applicable state laws, rules, policies, and regulations.

2. DRIVER SAFETY AND INSURANCE PROGRAM

Cal OES'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. Additionally, policies and procedures are not ensuring that frequent drivers attend a defensive driver training course at least once every four years. Finally, current processes are not facilitating the identification and enrollment of required employees into the Department of Motor Vehicle's Employer Pull Notice Program.

DGS's recommendation(s):

3. 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. These should specify where and by whom forms should be maintained and the annual timeframe when STD. 261 forms are due for renewal to ensure employees and management are on the same cycle.

4. Periodically reemphasize to operating unit staff/supervisors/managers 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.
5. Update and enforce current policies and procedures related to the Department of Motor Vehicles (DMV) Employee Pull Notice (EPN) Program, to include creating a system to track job classifications which require enrollment.

Cal OES Response:

Cal OES agrees with DGS's recommendations. Cal OES plans to issue an internal memorandum to require travelers to submit their Authorization to Use Privately Owned Vehicles on State Business (STD. 261) form with the Cal OES travel unit before any travel expense claim for personal auto expenses is approved. Furthermore, Cal OES will continue to reinforce and communicate the existing travel policies and procedures through departmental memorandums, quarterly travel trainings, and onboarding.

Cal OES will update its policies and procedures to ensure that employees who frequently drive on state business attend an approved defensive driver training course at least once every four years. Furthermore, Cal OES has established the Fleet Management Unit (FMU) to centralize all Cal OES fleet operations which includes tracking the driver defensive training completion.

Cal OES will update and enforce its current policies and procedures related to the DMV EPN Program. The updated policies and procedures will outline Cal OES's system to track job classifications which require DMV EPN Program enrollment.

3. FLEET MANAGEMENT PROGRAM

Cal OES' fleet administration program is not ensuring full compliance with state policies and procedures, including the: (1) accounting of all vehicles' pink slips; (2) collection and reconciliation of vehicle inventory data; (3) reporting of fleet asset usage information into DGS' Fleet Asset Management System in a consistent, accurate and timely manner; and (4) compliance with the State Fleet Card Program.

DGS's recommendation(s):

6. Update existing 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 the total number and ownership status, as well as usage information, of all its vehicles. These actions should address all the weaknesses noted above within the Fleet Asset Management Systems (FAMS) reporting section, including working with DGS Office of Fleet and Asset Management (OFAM) to reduce the pervasive number of usage gaps and properly account for all its sold and surveyed vehicles.
7. Establish a uniform, centralized management and tracking system that will ensure adequate control of all the state fleet cards. This process should require all card users to sign the agreement addressing compliance with usage policies and procedures.

Cal OES Response:

Cal OES agrees with DGS's recommendations. Cal OES has purchased and implemented a new fleet management software application called Fleetio. Fleetio has centralized all of Cal OES's vehicles and equipment under one database. Fleetio will assist with tracking vehicle maintenance, utilization, milage, fuel cost, accident reporting, and identifies all assigned drivers to the various units and financials.

Cal OES plans to revise its current policies and procedures regarding fleet asset management and reporting to ensure Cal OES complies with the State Administrative Manual (SAM) Sections 4120.1 requirements. The revised policy and procedures will incorporate the newly implemented fleet management data system which will provide real-time updates of mileage logs, vehicle usage information, and the tracking of all vehicles. All information will be keyed into FAMS reporting section. Furthermore, Cal OES will perform monthly reconciliations to meet the FAMS reporting requirements and work with DGS OFAM to ensure all Cal OES owned vehicles are accounted for and properly recorded. Cal OES also plans to increase employee training for its fleet coordinators to ensure all staff are knowledgeable of fleet administrative requirements.

Cal OES will establish a uniform, centralized management and tracking system that will ensure adequate control of all the state fleet cards. In addition, the tracking process will require all State Fleet Card users to sign the agreement addressing compliance with usage policies and procedures.

4. REPORTING AND REVIEW OF VEHICLE ACCIDENTS

Motor vehicle accidents are not being reported to the Office of Risk and Management (ORIM) in a timely manner. Further, supervisors are not always completing a report containing an evaluation of the cause of each accident.

DGS's recommendation:

8. Implement policies and procedures which ensure that a motor vehicle accident report is submitted to ORIM within 48 hours of an accident and that supervisors complete the report containing an evaluation of the cause of the accident.

Cal OES's Response:

Cal OES agrees with DGS's recommendation. Cal OES will update its policies and procedures to ensure that a motor vehicle accident report is submitted to ORIM in a timely manner. In addition, Cal OES will ensure supervisors complete the report to include an evaluation of the cause of the accident.

5. TRAVEL SERVICES PROGRAM

Travel services policies and procedures are not ensuring that employees who travel to conduct state business make all travel arrangements through DGS' Statewide Travel Program.

DGS's recommendation:

9. Reinforce and communicate existing travel policies and procedures to ensure that all employees required to travel on state business secure all their travel needs through either Concur Travel or the CalTravelStore. Employees should be periodically reminded to always work with or otherwise utilize Statewide Travel Program's centralized travel management services to determine if the state rate can be adjusted to match a lower hotel establishment rate.

Cal OES Response:

Cal OES agrees with DGS's recommendation. Cal OES plans to send out an internal memorandum to inform all employees who travel on state business to secure their travel needs through Concur or the CalTravelStore. Cal OES will continue to reinforce and communicate the existing travel policies and procedures through departmental memorandums, quarterly travel trainings, and onboarding.

6. CONTRACTING PROGRAM

Contracting program policies and procedures are not ensuring full compliance with state contracting requirements. The types of exceptions noted during our audit included: (1) no formal, written policies and procedures in place related to disabled veteran business enterprise (DVBE) sub-contractor reporting requirements; (2) prime contractors not being required to report the actual percentage of small business (SB)/DVBE subcontractor participation; and (3) a DVBE subcontracting report not being submitted to DGS annually as required.

DGS's recommendation:

10. Implement additional quality assurance policies and procedures which will ensure full compliance with SB and DVBE state contracting requirements. These activities should address each of the issues noted in the report.

Cal OES Response:

Cal OES agrees with DGS's recommendation. Cal OES will implement additional quality assurance policies and procedures which will ensure full compliance with SB and DVBE state contracting requirements. The policies and procedures will address the exceptions noted in DGS's report regarding Cal OES's contracting practices.

Cal OES appreciates the assistance and guidance provided by DGS. If you have additional questions or concerns, please contact Ralph Zavala, Cal OES Internal Audits Office Chief, at (916) 845-8437.

Dennis Miras
June 13, 2023
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Sincerely,



LISA MANGAT
Chief Deputy Director, Policy and Administration

c: Ralph Zavala, Chief, Internal Audits Office
Eric Swanson, Deputy Director, Finance and Administration
Marvin Green, Deputy Director, Logistics Management

CALIFORNIA GOVERNOR'S OFFICE OF EMERGENCY SERVICES (CAL OES)

EVALUATION OF CAL OES' RESPONSE

We have reviewed the response by the California Governor's Office of Emergency Services (Cal OES) to our draft audit report. The response to the recommendations is satisfactory and we appreciate the efforts taken and/or planned by Cal OES 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 explain/outline specific actions taken and include excerpts, samples, screenshots, and/or copies of documents and communications which demonstrate corrective measures employed to address each of our recommendations, consistent with Cal OES' individual formal responses to our draft audit.