



# MEMORANDUM

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**Date:** January 19, 2024 File No.: 3121

**To:** **Katie Hagen**, Director  
Department of Industrial Relations  
1750 Howe Ave, Suite 130  
Sacramento, CA 95825

**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 Industrial Relations (DIR). 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).

DIR'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 on your department's official letterhead the status report to us by July 19, 2024.

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 DIR's individual formal written 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](mailto:Dennis.Miras@dgs.ca.gov).

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

If you need further information on or assistance with this report, please contact me at (916) 376-5064 / [Dennis.Miras@dgs.ca.gov](mailto:Dennis.Miras@dgs.ca.gov), or Rhonda Parker, Management Auditor, at (279) 799-3779 / [Rhonda.Parker@dgs.ca.gov](mailto:Rhonda.Parker@dgs.ca.gov).

*Dennis M Miras*

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

Attachment

cc: Andrew Collada, Chief, Office of Administration  
Mathew Raute, Chief, Internal Audits  
Josh Iverson, Chief Financial Officer, Office of Fiscal Services

**GOVERNMENT OPERATIONS AGENCY  
DEPARTMENT OF GENERAL SERVICES**

**AUDIT OF THE  
DEPARTMENT OF  
INDUSTRIAL RELATIONS**

**FOR COMPLIANCE WITH STATE  
BUSINESS MANAGEMENT POLICIES  
REPORT NO. 3121**

**OFFICE OF AUDIT SERVICES**

**NOVEMBER 2023**



**DEPARTMENT OF INDUSTRIAL RELATIONS  
(DIR)**

**COMPLIANCE AUDIT  
REPORT NO. 3121**

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

DATE: January 19, 2024

TO: **Katie Hagen**, Director  
Department of Industrial Relations

This report presents the results of our compliance audit of the business management functions and services of the Department of Industrial Relations (DIR). These audits are routinely performed under the authority granted to the Department of General Services (DGS) by Government Code Sections 14615 and 14619. The objective of our audit was to determine compliance with policies set forth in the State Administrative Manual, and the terms and conditions of any specific delegations of authority or exemptions from approval granted by DGS.

As applicable, the scope of this audit included, but was not limited to, compliance with policies and procedures governing contracting, fleet and travel services administration, small business and disabled veteran business enterprise (DVBE) usage, driver safety and insurance, surplus property, and real estate.

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

- DIR's fleet management and travel services programs are not ensuring full compliance with state policies and procedures over the department's rental car usage, including the: (1) completion of a justification form when renting a vehicle at a rate higher than the contracted rate; (2) continuous renting of vehicles without having established either a long-term lease through DGS' Office of Fleet and Asset Management (OFAM) or a long-term rental account with Enterprise Rent-A-Car (with OFAM approval); and (3) reporting of long-term rental vehicles in their fleet acquisition plan.

- <sup>1</sup> Motor vehicle accidents are not consistently being reported to DGS' Office of Risk and Insurance Management (ORIM) in a timely manner. Further, supervisors are not always completing a report containing an evaluation of the cause of each accident.
- <sup>1</sup> DIR'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.
- Contracting program policies and procedures are not ensuring full compliance with state contracting requirements. The types of exceptions noted during our audit included: (1) contractor evaluations (STD. Form 4) not being completed and maintained within 60 days of the completion of consulting services contracts of \$5,000 or more; (2) DVBE subcontractor certifications (STD. 817) not being required nor obtained within 60 days of making final payment to the prime contractor; and (3) not withholding funds from the final payment to prime contractors when participating DVBE subcontractors are involved.

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 DIR's management and are not further detailed in this report. These included the systems used to ensure that sufficient documentation is maintained on the process used to dispose of surplus personal property and that items are disposed of in a timely manner.

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, DIR'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. DIR'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.

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<sup>1</sup> These conditions previously existed and were included in our Compliance Audit Report to DIR dated February 2016



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

If you need further information on or assistance with this report, please contact me at (916) 376-5064/[Dennis.Miras@dgs.ca.gov](mailto:Dennis.Miras@dgs.ca.gov), or Rhonda Parker, Management Auditor, at (279) 799-3779/[Rhonda.Parker@dgs.ca.gov](mailto:Rhonda.Parker@dgs.ca.gov).

*Dennis M Miras*

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

Staff: Rhonda Parker, Management Auditor

cc: Andrew Collada, Chief, Office of Administration  
Mathew Raute, Chief, Internal Audits  
Josh Iverson, Chief Financial Officer, Office of Fiscal Services



# DEPARTMENT OF INDUSTRIAL RELATIONS

## 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 Industrial Relations (DIR) 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: administration of rental car usage; reporting of vehicle accidents; driver safety and insurance program; and contracting for services.

This information was developed based on our fieldwork conducted over the period of November 10, 2022 through November 27, 2023. In addition to this written report, as findings were observed and developed during our audit fieldwork, DIR's management was promptly advised of any areas of concern so that they could begin taking corrective action. Further, during our November 27, 2023 audit exit conference, DIR 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 through 2023-24 fiscal years.

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

Policies and procedures have not been implemented which ensure that all applicable state travel rules, policies, and procedures are followed when renting vehicles, particularly when doing so on a long-term, continuous, or extended basis.

Since the numerous and specific instances of noncompliance have been extensively discussed with responsible management and staff during our audit fieldwork, they are not detailed in this report. Furthermore, exhaustive time and effort was expended consulting with subject matter experts within DGS' Office of Fleet and Asset Management (OFAM) and Statewide Travel Program (STP).

Accordingly, out of a test sample of 32 vehicles that were rented from Enterprise Rent-A-Car (Enterprise) during April 2023 through June 2023, we noted the following types of exceptions involving DIR's rental car usage practices (applicable criteria provided) [applicable exception/deviation rate noted]:

- Rental car transactions that exceeded the daily or weekly contracted rates were not accompanied by an acceptable SCO Justification Form that had been completed and approved in advance (DGS Travel Bulletin 21-01) [94%]
- Vehicles are being continuously rented (or re-rented) for extended periods of time (30+ days) without either a long-term lease through OFAM or a long-term rental account established with Enterprise, the latter requiring a request through and approval by OFAM (SAM (State Administrative Manual) Section 4117.2) [100%]
- DIR is not including the above referenced types of long-term rental vehicles in their FAP (Fleet Acquisition Plan), which is to be submitted to OFAM each year (SAM Section 4125) [100%]

Whether intended or not, the above conditions effectively circumvent or otherwise violate established travel and rental car usage requirements. They also result in DIR incurring substantially higher travel related expenditures, particularly in the long run.

In our view these conditions exist primarily due to DIR program level users: generally and innocently not knowing any better; being unaware of the correct means to secure longer term car rentals; operating based on past practice (ie: it's always been done that way); and incorrectly assuming they cannot secure the vehicle class, size, etc. they need by any other manner.

Despite DIR's expressed need to rent larger vehicles (which represent only about 15% of their extended rentals), it should be noted that OFAM approved long-term rentals are not and have never been restricted to smaller vehicle classes. Many agencies throughout the state presently rent trucks, vans, large SUVs, etc. utilizing their OFAM approved long-term leases or rental accounts. It must also be further noted that DIR fleet operations management personnel have provided assurances that they will be reassessing their current systems in place and implementing new procedures to address the above noted conditions.

### **Recommendations**

1. 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 at the time of travel. Management personnel and their staff should be reminded of the need to complete the form and obtain prior supervisory approval as warranted.
2. Implement policies and procedures which will ensure departmentwide rental car usage adheres to established state travel rules, policies, and procedures, especially when long-term or continuous rentals are involved. Such measures should include all users clearly understanding car rental resources contained within DGS-OFAM's website and working with OFAM to make certain that all applicable guidelines and requirements are followed.
3. Agency Fleet Operations personnel should institute processes ensuring that all long-term rentals are included in DIR's annual fleet acquisition plan and is submitted to OFAM in an accurate and timely basis.

### **REPORTING AND REVIEW OF VEHICLE ACCIDENTS <sup>2</sup>**

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 DIR's accident reporting process for the period of July 2022 through September 2023, of eight accidents tested and reported to ORIM, we noted four accident reports (50%) on file that had been submitted to ORIM up to 47 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 four (50%) of the eight 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.

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<sup>2</sup> These conditions previously existed and were included in our Compliance Audit Report to DIR dated February 2016

The absence of departmental written policies and procedures, in conjunction with a lack of enforcement of statewide vehicle accident reporting requirements, contributed to the above conditions. It should be noted that DIR has developed formal, written policies and procedures and is awaiting completion of the Notice to Labor Union(s) vetting process.

### **Recommendation**

4. Implement and enforce departmentwide 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.

### **DRIVER SAFETY AND INSURANCE PROGRAM** <sup>2</sup>

DIR 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 and valid STD. 261 was not available for 85 of 86 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

It appears that the size and decentralized nature of DIR's operations, the large number of travelers, and no central point of control (ie: review/monitoring process) are all contributing towards the existence of such a high incident rate of non-compliance with STD. 261 requirements.

- **Defensive Driver Training** - Our review of a sample of 40 frequent drivers found that 19 (48%) 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.

Again, it appears that the size and decentralized nature of DIR's operations, no central point of control (ie: centralized database to track DDT), and too much reliance on solely supervisors/managers for enforcement were all found to be contributing factors to the above condition.

It must be noted that DIR has communicated its intentions to implement updated policies, procedures, and tools which should improve compliance with all pertinent requirements related to the above noted concerns.

### **Recommendations**

5. Design and implement strengthened policies and procedures to ensure the completion and annual update of a STD. 261 certification form by all employees prior to using their own vehicle to conduct state business. This process should include periodic notification(s) to managers/supervisors regarding their responsibilities for ensuring the completion and updating of the form.
6. Proceed with plans for improving existing training-related processes by upgrading to a new automated system, designed to administer, deliver, report on, and document training (including DDT) by implementing DIRLearns (DIR's new Learning Management System). Additionally, periodically emphasize to operating unit staff/supervisors/managers their responsibilities for ensuring that employees who drive on state business attend an approved defensive driver training course at least once every four years.

### **CONTRACTING PROGRAM**

Overall, we determined that DIR was administering its contracting program in compliance with state requirements. However, our sample tests of the various

types of contracts <sup>3</sup> processed disclosed three areas for improvement that need to be addressed to fully comply with the state's service contracting requirements. These requirements are primarily contained in the Consolidated State Contracting Manual (SCM) Volume 1.

- **Consulting Services Contract Evaluations** - Current policies and procedures are not ensuring that contractor evaluations are being performed. Our test sample of four completed consulting services contracts disclosed that no contract evaluations were completed for any of the sampled contracts.

As provided in SCM Volume 1, Section 3.02.5, a Contract/Contractor Evaluation form (STD. 4), must be prepared within 60 days of the completion of a consulting service contract valued at \$5,000 or more. This form is used to document the performance of a contractor in doing the work or in delivering the services for which the contract was awarded.

Public Contract Code Sections 10367 through 10370 provide that post-evaluations shall be performed and maintained in the file at the offices of the awarding state agency for a period of 36 months following contract completion. Further, a copy of any unsatisfactory evaluation is to be sent to the contractor within 15 days and to the DGS - Office of Legal Services within 5 days of completion of the evaluation.

Contracting office personnel and program level Contract Managers had been unaware of this requirement.

- **Management of DVBE Subcontractor Requirements** - As it relates to contracts in which the prime contractor has entered into a subcontract with a Disabled Veteran Business Enterprise (DVBE), DIR is not requiring nor obtaining a certification form from the prime contractor as required by SCM Volume 1, Section 8.16, C.1. This form (Prime Contractor's DVBE Subcontracting Report – STD. 817) is to be obtained from the contractor within 60 days of making final payment on the contract. Via the STD. 817, the prime is required to certify:
  - The total dollar amount the department paid to the prime contractor
  - The name and address of the DVBE(s) that participated in the performance of the contract
  - The amount each DVBE received from the prime contractor
  - That all payments under the contract have been made to the DVBE(s)
  - The actual percentage of DVBE participation achieved

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<sup>3</sup> The types of contracts tested for compliance included both contracts subject to DGS review and approval (generally contracts of an amount of \$50,000 or more) and those delegated to DIR to directly execute (generally contracts of an amount under \$50,000).



- Additionally, the department is not withholding funds from the final payment on these types of contracts, as prescribed by SCM Volume 1, Section 8.16, C.4, which minimally requires the awarding department to withhold \$10,000 from the final payment (or the full final payment if less than \$10,000) until the prime contractor complies with the (STD. 817) certification requirements above.

Unfamiliarity with these requirements resulted in the existence of these conditions.

### **Recommendations**

7. Implement policies and procedures which ensure that contractor performance evaluations are completed for consulting services contracts of \$5,000 or more. This process should ensure that contract managers are periodically reminded of their responsibility for completing the evaluations.
8. Implement policies and procedures which will result in the STD. 817 certification form being obtained and funds withheld from the final payment as required from prime contractors when contracting for services involving participating DVBE subcontractors.

## **CONCLUSION**

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



DEPARTMENT OF INDUSTRIAL RELATIONS

Office of the Director

1515 Clay Street, Suite 2208

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Tel: (510) 286-7087 Fax: (510) 622-3265



January 16, 2024

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

RE: Audit of the Department of Industrial Relations for Compliance with State Business Management Policies Report No. 3121

Dear Mr. Miras:

The Department of Industrial Relations (DIR) has developed a Corrective Action Plan (CAP) and is committed towards its implementation.

***1: 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 at the time of travel. Management personnel and their staff should be reminded of the need to complete the form and obtain prior supervisory approval as warranted.***

DIR is in the process of updating the Rental Car Usage policy. The update will ensure that rental car transactions exceeding the daily or weekly contracted rate at the time of travel are properly documented, justified, and approved in advance. This update will enhance financial control and prevent unjustified or unnecessary expenditures.

Additionally, it will ensure that DIR employees are aware of the requirements and consequences of exceeding contracted rates, promoting responsible spending, and accountability in rental car usage.

***2: Implement policies and procedures which will ensure departmentwide rental car usage adheres to established state travel rules, policies, and procedures, especially when long-term or continuous rentals are involved. Such measures should include all users clearly understanding car rental resources contained within DGS-OFAM's website and working with OFAM to make certain that all applicable guidelines and requirements are followed.***

DIR is in the process of updating the Rental Car Usage policy. The update will ensure that all employees understand the car rental resources available on the Department of General Services (DGS) Office of Fleet and Asset Management (OFAM) website. DIR will work with OFAM to ensure compliance with all applicable guidelines and requirements on long-term and continuous rentals before expenses occur. This will help DIR employees optimize the rental car usage, prevent unnecessary expenditures, and promote responsible use of state resources.

**3: Agency Fleet Operations personnel should institute processes ensuring that all long-term rentals are included in DIR's annual fleet acquisition plan and is submitted to OFAM in an accurate and timely basis.**

DIR has begun drafting a Rental Car Usage policy that includes processes for ensuring all long-term vehicle rentals over 29 calendar days are included on DIR's approved annual Fleet Acquisition Plan (FAP) and are submitted to OFAM on a timely basis. The policy will establish the correct process for DIR employees to properly obtain long-term rental vehicles under State Administrative Manual section 4120.8.

The DIR Fleet Management Unit (DIR Fleet) will continue holding quarterly meetings with divisional fleet liaisons to extract the necessary information required when submitting the annual FAP so that all applicable employees remain in compliance with agency fleet operations.

**4: Implement and enforce departmentwide 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.**

DIR is in the final stages of adopting the fully updated Driver Safety Operation and Maintenance policy to ensure compliance with the proposed recommendation. The Department's updated policy will include supervisory responsibility for meeting the 48-hour DGS Office of Risk and Insurance Management (ORIM) reporting requirement, DIR Fleet's quarterly reconciliation of records with ORIM to ensure department compliance is current and ongoing, a requirement that all vehicle accident reports generated must be forwarded to the DIR Fleet Coordinator for prompt processing, and a requirement to establish and maintain timely statewide vehicle accident reporting documentation compliance reporting capability.

DIR Fleet will continue holding quarterly meetings with divisional fleet liaisons to ensure that all applicable employees remain in compliance with the vehicle accident reporting policy and procedures.

**5: Design and implement strengthened policies and procedures to ensure the completion and annual update of a STD. 261 certification form by all employees prior to using their own vehicle to conduct state business. This process should include periodic notification(s) to managers/supervisors regarding their responsibilities for ensuring the completion and updating of the form.**

DIR is in the process of creating a fully updated driver qualification record-keeping method included in the Driver Safety and Maintenance policy to ensure compliance with this recommendation. The updated policy includes specifically identified supervisory responsibilities to initiate and annually review the Authorization to Use Privately-Owned Vehicles on State Business (STD. 261), a requirement to establish and maintain a centralized driver's qualification file for each state driver that will house their originally signed and approved STD. 261, and a requirement to establish and maintain timely statewide STD. 261 compliance reporting capability.

DIR Fleet along with DIR Office of Information Services (OIS) has recently implemented a clickable link in the Department's ServiceNow portal for supervisors to upload the originally signed and approved STD. 261 to the driver's portal. Supervisors will be able to access their employees' STD 261 electronically to re-sign for approval on an annual basis.

DIR Fleet will conduct quarterly email campaigns reminding divisional fleet liaisons to ensure supervisors remain in compliance with approving personal vehicle mileage reimbursements.

***6: Proceed with plans for improving existing training-related processes by upgrading to a new automated system, designed to administer, deliver, report on, and document training (including DDT) by implementing DIRLearns (DIR's new Learning Management System). Additionally, periodically emphasize to operating unit staff/supervisors/managers their responsibilities for ensuring that employees who drive on state business attend an approved defensive driver training course at least once every four years.***

DIR Fleet has drafted a policy which outlines and establishes the requirement for staff to complete a DGS approved Defensive Driver Training (DDT) course to ensure the department remains in compliance with Defensive Driver Training requirements.

DIR Fleet is in the process of working with the DIR Training Unit to automatically set a four (4) year expiration on the DDT certificate in our learning platform, DIRLearns, and automatic reminders that will be sent out 30, 15, 7, and 2 days before the DDT certificate expiration date. DIRLearns will continue to send out monthly reminders after the certificate has reached the expiration date. DIRLearns replaces the manual process of coordinating and tracking all training and provides a centralized learning platform for all DIR team members. DIR Fleet will ensure drivers have a valid DDT Certificate on file by receiving quarterly reports from the Training Unit for drivers whose certificates may have expired or who have not yet completed the training.

DIR Fleet will continue holding quarterly meetings with divisional fleet liaisons to ensure that all applicable employees remain in compliance with the DDT policy and procedures.

***7: Implement policies and procedures which ensure that contractor performance evaluations are completed for consulting services contracts of \$5,000 or more. This process should ensure that contract managers are periodically reminded of their responsibility for completing the evaluations.***

DIR has created a Contract Manager Instruction document. This document is sent to the identified Contract Manager as soon as a contract is executed. As part of this document, DIR has included information on the STD. 4 form and when it's required for consulting services contract. It also includes information on completing and returning the form to the Contract unit for documentation purposes. This change, in addition to an internal tracking sheet, will allow DIR to notify the program staff regularly of the requirement to ensure our unit is receiving copies of the STD. 4 within 60 days of completion of a contract. As part of our program training, additional contract management training will be held to re-train Contract Managers on their roles and responsibilities and contract procedures.

In addition, the contract and procurement unit holds monthly meetings with program staff. As part of this effort, the contract and procurement unit will also remind staff of this requirement to ensure DIR maintains compliance in the future.

***8: Implement policies and procedures which will result in the STD. 817 certification form being obtained and funds withheld from the final payment as required from prime contractors when contracting for services involving participating DVBE subcontractors.***

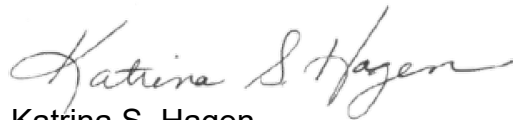
DIR has created a Contract Manager Instruction document. This document is sent to the identified Contract Manager as soon as a contract is executed. As part of this document, DIR has included information on the STD. 817 form and when it's required for contracts that include Disabled Veteran Business Enterprise (DVBE) subcontractors. DIR has also added information on this requirement to our policies and procedures.

In addition, DIR is in the process of looking into FISCAL to run monthly reports that will allow us to track DVBE subcontractors where a \$10,000 withhold is required. These efforts will allow DIR to notify the program staff prior to completion/expiration of any contract so they are reminded to withhold the \$10,000 from final payment and obtain the STD. 817. Further, DIR will be adding language regarding \$10,000 withhold to the STD. 215 where payment information is required, providing an additional reminder/document for the Contract Manager.

The contract and procurement unit holds monthly meetings with program staff. As part of this effort, the contract and procurement unit will continue to remind staff of this requirement to ensure compliance.

Should you have any questions related to this CAP, please contact DIR's Chief Auditor, Mathew Raute, at (916) 860-2219 or [Mathew.Raute@dir.ca.gov](mailto:Mathew.Raute@dir.ca.gov).

Sincerely,



Katrina S. Hagen  
Director

Cc: Deana Ping, Chief Deputy Director, DIR  
Andrew Collada, Chief, Office of Administration, DIR  
Josh Iverson, Chief Financial Officer, Office of Fiscal Services, DIR  
Mathew Raute, Chief Auditor, Office of the Director, DIR

**DEPARTMENT OF INDUSTRIAL RELATIONS  
(DIR)**

**EVALUATION OF DIR'S RESPONSE**

We have reviewed the response by the Department of Industrial Relations (DIR) to our draft audit report. The response to the recommendations is satisfactory and we appreciate the efforts taken and/or planned by DIR 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 DIR's individual formal responses to our draft audit.