

Date: April 30, 2026 File No.: 5123

To: Drew Bohan, Executive Director
California Energy Commission
715 P Street
Sacramento, CA 95814

From: **Department of General Services**
Office of Audit Services

Subject: **AUDIT REPORT: COMPLIANCE WITH STATE BUSINESS MANAGEMENT POLICIES**

Attached is the final report on our compliance audit of the business management functions and services of the California Energy Commission (CEC). 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).

CEC'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 the 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 recommendation. Therefore, please submit on your department's official letterhead the status report to us by October 30, 2026.

To the extent that it is feasible, 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 CEC'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 email to chris.harris@dgs.ca.gov.

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

If you need further information or assistance with this report, please call/email me at (279) 946-8606/chris.harris@dgs.ca.gov, or Maricela Bautista, Management Auditor, at (279) 799-3742/maricela.bautista@dgs.ca.gov.

Christopher Harris

CHRISTOPHER HARRIS, MPA
Audit Manager, Office of Audit Services

Attachment

cc: Jennifer Martin-Gallardo, Deputy Executive Director, CEC
Amanda Martin, Deputy Assistant Secretary, Administration & Finance, California Natural Resources Agency
Damien Mimnaugh, Director of the Administrative and Financial Management Services Division, CEC
Mindy Patterson, Director of Audits, CEC
Harsh Thakar, Chief Financial Officer, Financial Management Branch, CEC
Ed Springer, Chief of Human Resources & Support Services Branch, CEC
Veronica Bennett, Manager, Support Services Branch, CEC
Erica Watkins, Manager, Business Services Office, CEC
Andy Won, Deputy Director, Office of Audit Services, DGS

**GOVERNMENT OPERATIONS AGENCY
DEPARTMENT OF GENERAL SERVICES**

**AUDIT OF THE
CALIFORNIA ENERGY COMMISSION**

**FOR COMPLIANCE WITH STATE
BUSINESS MANAGEMENT POLICIES
REPORT NO. 5123**

OFFICE OF AUDIT SERVICES

AUGUST 2025
(End of Fieldwork)

**CALIFORNIA ENERGY COMMISSION
COMPLIANCE AUDIT
REPORT NO. 5123**

TABLE OF CONTENTS

	<u>PAGE</u>
AUDITOR'S REPORT	1
FINDINGS AND RECOMMENDATIONS	3
FLEET MANAGEMENT AND TRAVEL SERVICES PROGRAMS	3
DRIVER SAFETY AND INSURANCE PROGRAMS	4
CONCLUSION	5
CEC'S RESPONSE	7
EVALUATION OF CEC'S RESPONSE	10

STATE OF CALIFORNIA
DEPARTMENT OF GENERAL SERVICES
AUDITOR'S REPORT

DATE: April 30, 2026

TO: Drew Bohan, Executive Director
California Energy Commission

This report presents the results of our compliance audit of the business management functions and services of the California Energy Commission (CEC). 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 (SAM), and the terms and conditions of any specific delegations of authority or exemptions from approval granted by DGS. As applicable, the scope of our audits of state agencies includes, but is not limited to, compliance with policies governing the delegated fleet administration, small business (SB) and disabled veteran business enterprise (DVBE) usage, driver safety and insurance, surplus property, and real estate.

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

- CEC's Fleet and Travel policies and procedures do not ensure compliance with the State Fleet Card Program.
- CEC's Driver Safety and Insurance program does not ensure that employees who use their privately owned vehicles to conduct state business complete and annually update a vehicle certification form. Additionally, policies and procedures also do not ensure that frequent drivers attend a defensive driver training course every four years.

During our review we also identified other matters requiring attention but did not pose a significant risk to CEC's business management functions. We discussed these issues with CEC's management, and they are not further detailed in this report. These include (1) completion of a justification form when renting an oversize vehicle and (2) sufficient documentation and certification on the manner used to dispose of surplus personal property is properly 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, CEC's management took prompt actions to address our concerns. However, we did not perform post effectiveness tests to determine whether the corrective actions were functioning as intended. CEC'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 CEC's personnel.

If you need further information or assistance with this report, please contact me at (279) 946-8606, or Maricela Bautista, Management Auditor, at (279) 799-3742.

Christopher Harris

CHRISTOPHER HARRIS, MPA
Audit Manager, Office of Audit Services

Staff: Maricela Bautista, Management Auditor

cc: Jennifer Martin-Gallardo, Deputy Executive Director, CEC
Amanda Martin, Deputy Assistant Secretary, Administration & Finance, California Natural Resources Agency
Damien Mimnaugh, Director of the Administrative and Financial Management Services Division, CEC
Mindy Patterson, Director of Audits, CEC
Harsh Thakar, Chief Financial Officer, Financial Management Branch, CEC
Ed Springer, Chief of Human Resources & Support Services Branch, CEC
Veronica Bennett, Manager, Support Services Branch, CEC
Erica Watkins, Manager, Business Services Office, CEC
Andy Won, Deputy Director, Office of Audit Services, DGS

CALIFORNIA ENERGY COMMISSION

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 Energy Commission (CEC) for compliance with policies set forth in 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: Fleet and Travel Management practices; Driver Safety and Insurance program.

This information was developed based on our fieldwork conducted over the period of April 29, 2025 through August 25, 2025. In addition to this written report, as findings were observed and developed during our audit fieldwork, CEC's management was promptly advised of any areas of concern so that they could begin taking corrective action. Further, during our August 25, 2025 audit exit conference, CEC was provided with 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 2023/24 and 2024/25 fiscal years.

FLEET MANAGEMENT AND TRAVEL SERVICES PROGRAMS

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

- **State Fleet Card Program** – CEC has not implemented adequate and effective policies and procedures that ensure the adequate control of state fleet cards. Fleet cards are primarily used by state employees to purchase fuel for vehicles used for official state business. In brief, State Administrative Manual Section 4108 requires that employees authorized to use a State Fleet Card must have a signed Fleet Card User Agreement on file.

The State Fleet Card Program requires that participating departments comply with a number of requirements including: (1) implementing written

oversight procedures; (2) designating a coordinator to closely manage the use of the program; (3) submitting to DGS' Office of Fleet and Asset Management (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.

Our review of 19 employees who had access to a fleet card, identified 19 (100%) employees did not have a Fleet Card User Agreement on file at the time of testing.

CEC did not appear to have adequate oversight or monitoring controls over its State Fleet Card Program.

Recommendation

1. Develop policies and procedures that will ensure adequate control of State Fleet Cards in accordance with SAM Section 4108. This process should ensure compliance with State Fleet Card Program requirements, which includes requiring all card users to sign an agreement addressing compliance with usage policies and procedures.

DRIVER SAFETY AND INSURANCE PROGRAM

CEC 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 vehicles to conduct state business. Specifically, at the time of our audit tests, the current STD. 261 was not available for 9 (36%) of 25 employees included in our sample tests prior to using their own vehicles 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 40 frequent drivers found that 4 (10%) had not attended a defensive driver training course within the last four years. SAM Section 0751 provides that frequent drivers should attend and successfully complete an approved defensive driver training course at least once every four years. In addition, 15 (38%) employees were missing from the CEC's internal training records, despite the employees having DDT certificates on file.

Current policies and procedures are not being consistently enforced nor are they fully operating as intended.

Recommendations

2. 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 vehicles 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.
3. Establish procedures to monitor and track the timely completion of Defensive Driver Training (DDT) for all employees who operate vehicles on state business. Periodically reemphasize to operating unit managers/supervisors their responsibilities for ensuring that employees who frequently drive on state business attend an approved defensive driver training course at least once every four years. Conduct periodic reviews of training records to confirm accuracy and ensure all employee DDT completions are properly recorded in the Commission's internal database.

CONCLUSION

Our findings and recommendations are presented to help CEC in administering its business management functions and services. CEC should address the

CALIFORNIA ENERGY COMMISSION
Findings and Recommendations, Cont'd

reported issues to assist in ensuring compliance with applicable state laws, policies and procedures.

CALIFORNIA ENERGY COMMISSION

715 P STREET
SACRAMENTO, CA 95814-5512
www.energy.ca.gov



April 14, 2026

transmitted via email

DGS – Office of Audit Services
707 3rd Street, 8th Floor
West Sacramento, CA 95605

Audit Response – California Energy Commission Compliance with Business Management Policies

The California Energy Commission (CEC) appreciates the California Department of General Services' (DGS) audit of our compliance with business management policies. We provide the following responses to the report findings and recommendations.

Finding: CEC needs to strengthen its oversight of the department's fleet and travel services programs.Summary of Finding:

CEC has not implemented adequate and effective policies and procedures that ensure adequate control of state fleet cards. The State Fleet Card Program requires that card users sign an agreement addressing compliance with usage policies and procedures. DGS' review identified 19 of 19 employees who had access to a fleet card did not have a Fleet Card User Agreement on file.

Recommendation:

1. Develop policies and procedures that will ensure adequate control of State Fleet Cards in accordance with SAM Section 4108. This process should ensure compliance with State Fleet Card Program requirements, which includes requiring all card users to sign an agreement addressing compliance with usage policies and procedures.

CEC Response:

There was no fleet card user agreement on file for 19 tested users. Since the DGS audit, we have incorporated the fleet card user agreement into the vehicle reservation form (CEC119), which is signed by the employee when reserving a state vehicle.

Finding: CEC needs to strengthen its Driver Safety and Insurance program to assist in preventing and controlling the costs of vehicle accidents.Summary of Finding:

CEC needs to strengthen its Driver Safety and Insurance program to assist in preventing and controlling the costs of vehicle accidents. DGS' review identified 9 of 25

(36 percent) CEC employees did not have a current STD 261, the form that authorizes employees to use their privately owned vehicles. 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.

Additionally, DGS' review identified 4 of 40 (10 percent) frequent drivers had not attended a defensive driver training course within the last four years. SAM Section 0751 provides that frequent drivers should attend and successfully complete an approved defensive driver training course at least once every four years. In addition, 15 employees were missing from the CEC's internal training records, despite the employees having DDT certificates on file.

Current policies and procedures are not being consistently enforced nor are they fully operating as intended.

Recommendations:

2. 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 vehicles 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.
3. Establish procedures to monitor and track the timely completion of Defensive Driver Training (DDT) for all employees who operate vehicles on state business. Periodically reemphasize to operating unit managers/supervisors their responsibilities for ensuring that employees who frequently drive on state business attend an approved defensive driver training course at least once every four years. Conduct periodic reviews of training records to confirm accuracy and ensure all employee DDT completions are properly recorded in the Commission's internal database.

CEC Response:

To strengthen CEC's Driver Safety and Insurance Program, the CEC has implemented new procedures. Before approving a vehicle reservation and releasing a state vehicle, the employee's DDT certificate and CEC119 form are verified that they are current and on file. All STD 261 forms and DDT certificates are maintained in a shared file accessible to CEC divisions. Additionally, the annual mandatory training month (most recently October 2025) now includes the renewal of STD 261 forms and DDT certificates.

The CEC Accounting Travel Unit also has access to employees' current STD 261 forms and DDT certificates when reviewing and approving travel expense claims. The Travel

Unit has developed additional internal policies and procedures to notify staff of upcoming expirations and ensure forms remain current.

Thank you for this opportunity to respond to this draft report. Please contact CEC's Audit Director, Mindy Patterson, at mindy.patterson@energy.ca.gov or (916) 980-7937 if you have any questions.

Respectfully,



Drew Bohan
Executive Director

cc: Jennifer Martin-Gallardo, Deputy Executive Director, California Energy Commission
Amanda Martin, Deputy Assistant Secretary, Administration and Finance, California Natural Resources Agency
Damien Mimnaugh, Director of the Administrative & Financial Management Services Division, California Energy Commission
Mindy Patterson, Audit Director, California Energy Commission
Mary Hung, Accounting Administrator, California Energy Commission

CALIFORNIA ENERGY COMMISSION (CEC)

EVALUATION OF CEC'S RESPONSE

We have reviewed the response by the California Energy Commission (CEC) to our draft report. The response to the recommendations is satisfactory. We appreciate the efforts being made by CEC to improve its business management functions and services.

It should be noted that we were unable to perform effectiveness tests by the conclusion of fieldwork to determine whether the corrective action taken to address our recommendations are functioning as intended.

As part of its operating duties, 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 those recommendations that have not been fully implemented. To the extent that is feasible, 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 CEC's individual formal responses to our draft report.