DGS
GENERAL SERVICES

MEMORANDUM

Date: November 5, 2026 File No.: 6121

To: Zoe Heller, Director
California Department of Resources Recycling and Recovery
1001 I Street, MS 25A
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 Department of Resources Recycling and Recovery (CalRecycle). 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).

CalRecycle'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 May 5, 2027.

To the extent that it is practicable, any proof-of-practice and supporting documentation should be 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 CalRecycle's 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 email to chris.harris@dgs.ca.gov.

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

If you need further information on or assistance with this report, please call/email me at (279) 946-8606/chris.harris@dgs.ca.gov, or Larisa Samoylovich, Management Auditor, at (279) 799-3730/larisa.samoylovich@dgs.ca.gov.

Christopher Harris

CHRISTOPHER HARRIS, MPA
Manager, Office of Audit Services

Attachment

cc: Marlene Boyd, Administrative Services Branch Chief, CalRecycle
Yogeeta Sharma, Fiscal Services Branch Chief, CalRecycle
Megan Frink, Administrative Services Section Supervisor, CalRecycle
Shelly Lewis, Contracts and Purchasing Section Supervisor, CalRecycle
Andy Won, Deputy Director, Office of Audit Services, DGS

GOVERNMENT OPERATIONS AGENCY

DEPARTMENT OF GENERAL SERVICES

AUDIT OF THE CALIFORNIA DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY

FOR COMPLIANCE WITH STATE BUSINESS MANAGEMENT POLICIES
REPORT NO. 6121

OFFICE OF AUDIT SERVICES

APRIL 2026
(End of Fieldwork)

CALIFORNIA DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY

COMPLIANCE AUDIT

REPORT NO. 6121

TABLE OF CONTENTS

	PAGE
AUDITOR'S REPORT	1
FINDINGS AND RECOMMENDATIONS	4
CONTRACTING PROGRAM	4
DRIVER SAFETY AND INSURANCE PROGRAMS	5
REPORTING AND REVIEW OF VEHICLE ACCIDENTS	7
FLEET MANAGEMENT AND TRAVEL SERVICES PROGRAMS	7
DISPOSAL OF SURPLUS PERSONAL PROPERTY	9
CONCLUSION	10
CALRECYCLE'S RESPONSE	11
EVALUATION OF CALRECYCLE'S RESPONSE	15

STATE OF CALIFORNIA

DEPARTMENT OF GENERAL SERVICES

AUDITOR'S REPORT

DATE: November 5, 2026

TO: Zoe Heller, Director
California Department of Resources Recycling and Recovery

This report presents the results of our compliance audit of the business management functions and services of the California Department of Resources Recycling and Recovery (CalRecycle). 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 contracting, 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 CalRecycle 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 CalRecycle in addressing these issues:

- Contracting program policies and procedures are not ensuring full compliance with state contracting requirements. The types of exceptions noted during our audit included completion of the Form 4 Contract Evaluation for closed consulting services contracts and proper usage of Cal-Card for service acquisitions.

- CalRecycle's driver safety and insurance program is not ensuring that employees who use their own vehicles to conduct state business complete and annually update an Authorization to Use Privately Owned Vehicles on State Business (STD 261). Policies and procedures are also not ensuring that frequent drivers attend a defensive driver training course every four years.

- CalRecycle's driver safety program is not ensuring that supervisors are completing a State Driver Accident Review (STD. 274) report containing an evaluation of the cause of the accidents.

- Fleet and Travel policies and procedures are not ensuring compliance with the State Fleet Card Program and completion of Short-Term Vehicle Justification Form (DGS OFAM 100) when renting a vehicle at a rate higher than the contracted rate.

- Documentation and policies and procedures are not being maintained in the process to dispose surplus personal property.

During our review we also identified other matters requiring attention, but that did not pose a significant risk to CalRecycle's business management functions. We discussed these issues with CalRecycle's management, and they are not further detailed in this report.

We are pleased with the commitment shown to improve compliance with state requirements. It should be noted that when advised of areas for improvement during our audit fieldwork, CalRecycle'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. CalRecycle'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 CalRecycle's personnel.

If you need further information or assistance with this report, please contact me at (279) 946-8606, or Larisa Samoylovich, Management Auditor, at (279) 799-3730.

Christopher Harris

CHRISTOPHER HARRIS, MPA
Manager, Office of Audit Services

Staff: Larisa Samoylovich, Management Auditor
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Yogeeta Sharma, Fiscal Services Branch Chief, CalRecycle
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Andy Won, Deputy Director, Office of Audit Services, DGS

CALIFORNIA DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY

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 Department of Resources Recycling and Recovery (CalRecycle) 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: Contracting for Services; Driver Safety and Insurance Program; Fleet and Travel Management Practices; and Disposition of Surplus Personal Property.

This information was developed based on our fieldwork conducted over the period of October 2, 2025 through April 20, 2026. In addition to this written report, as findings were observed and developed during our audit fieldwork, CalRecycle's management was promptly advised of any areas of concern so that they could begin taking corrective action. Further, during our April 20, 2026 audit exit conference, CalRecycle 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 2024-2025 and 2025-2026 fiscal years.

CONTRACTING PROGRAM

Overall, we determined that CalRecycle was conducting its contracting program in compliance with state requirements. However, our sample tests of the various types[1] of contracts processed disclosed a number of areas for improvement that need to be addressed to fully comply with the state's service

[1] The types of contracts tested for compliance included both contracts subject to DGS review and approval (generally contracts of an amount of $50,000.01or more) and those exempted to CalRecycle to directly execute (generally contracts of an amount under $50,000).

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):

- Completing a Contractor Evaluation (Form 4) within 60 days of a closed consulting services contracts (SCM 1, 3.02.5; 7.15.E, and 9.04 A.17)
- Approval of purchase orders prior to making Cal-Card transaction (SCM 2, Sections 1902.2; 1902.3; and 1902.5)

Staff's unfamiliarity with all applicable contracting rules, regulations, and oversight while processing these kinds of transactions contributed to the above conditions.

Recommendation

1. Improve existing, institute additional, and broadcast all policies and procedures that will ensure full compliance with state service contracting requirements. These activities should address each of the issues noted above.

2. Improve existing, institute additional, and broadcast all procedures that will ensure full compliance with SCM requirements. Ensure that proper purchase documents are used and approved prior to Cal-Card transactions.

DRIVER SAFETY AND INSURANCE PROGRAM

CalRecycle 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, a current and valid Authorization to Use Privately Owned Vehicle (STD. 261) was not available for 24 of 25 (96%) employees included in our sample

tests prior to using personal vehicles on state business. 16 of 25 (64%) sampled Authorization to Use Privately Owned Vehicles (STD. 261s) were signed after the audit request.

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*** – The review of a sample of 28 applicable drivers selected from the list of State Fleet Card Users, list of Frequent Drivers, DMV EPN List of Enrolled Employees, and List of Vehicle Accident Reporting found that 17 of 28 (61%) applicable samples were current on file but did not have defensive driver training completed while driving a vehicle on state business.

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

  The CalRecycle Administrative Manual States that it must be verified that employees who drive on state business complete defensive driver's training every four years, and that the compliance should be tracked in coordination with the Training and Development Unit in HR.

Recommendation

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 vehicles to conduct state business. Supervisors must verify that a current and approved STD. 261 is on file before authoring a Travel Expense Claim (TEC). This process should include periodic notification(s)to staff regarding STD. 261 requirements, and to managers/supervisors regarding their responsibilities for ensuring the completion and updating of the form.

4. Update existing policies and procedures in accordance with MM 11-04. 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.

REPORTING AND REVIEW OF VEHICLE ACCIDENTS

Existing policies and procedures are not ensuring sufficient and timely reporting of vehicle accidents to DGS Office of Risk and Insurance Management (ORIM).

Specifically, during our review of CalRecycle's accident reporting process for the period of FY 2024-2025 through December 2025, the State Driver Accident Review (STD. 274) was not on file for 3 of 4 (75%) of the accidents reported. SAM Section 2440 and CalRecycle's policies and procedures require that the supervisor of an employee involved in an accident prepare a State Driver Accident Review (STD. 274) supervisor's report, take any appropriate corrective action, and forward the State Driver Accident Review (STD. 274) to both ORIM and the agency's Safety Coordinator within 2 business days.

If accidents are not tracked and reported timely to ORIM, it creates a liability for the State. Supervisors must properly review and sign these forms to ensure completeness. The state could face unnecessary charges from insurance companies, drivers, and/or lawsuits which can cause the department unnecessary charges and penalties at the expense of taxpayers.

Recommendation

5. Improve and reinforce existing policies and procedures that will ensure compliance with vehicle accident reporting requirements. The supervisor of the employee involved must investigate the accident, prepare and sign the State Driver Accident Review (STD. 274), and forward it to ORIM and the agency's Safety Coordinator. Staff should be trained and regularly reminded of the requirements.

FLEET MANAGEMENT AND TRAVEL SERVICES PROGRAMS

CalRecycle 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*** – CalRecycle has not implemented policies and procedures that ensure the control of state fleet cards. It was noted that 17

of 39 (44%) employees sampled were not authorized to use the Fleet Card and did not have a valid Fleet Card User Agreement (DGS OFAM 001) on file at the time of driving a state vehicle. All 17 (100%) user agreements were signed after requested. Also, 6 of 17 (35%) user agreements were not signed by a supervisor.

Fleet cards are primarily used by state employees to purchase fuel for vehicles used for official state business.

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.

- ***Rental Car Usage Compliance*** – CalRecycle's policies and procedures are not ensuring that a Short-Term Vehicle Justification Form (DGS OFAM 100) is being completed for those rental car transactions that exceed the daily or weekly contracted rate. A review of 26 car rental transactions revealed that 22 of 26 (85%) Short-Term Vehicle Justification Forms (DGS OFAM 100s) were not on file prior to renting a vehicle. Other issues identified with Short-Term Vehicle Justification Forms (DGS OFAM 100s) included signatures after travel dates; signatures after requested; and no signatures or dates from supervisors. DGS Travel Bulletin 21-01 and SAM 4117-2 require employees to obtain supervisory approval prior to renting a vehicle larger than the intermediate size by using the Short-Term Vehicle Justification Forms (DGS OFAM 100s), which then needs to accompany the invoice to the agency's accounting office/travel unit for payment.

Recommendation

6. Strengthen current policies and procedures that will ensure adequate control of State Fleet Cards in accordance with SAM 4108. Notify and remind employees authorized to use a State Fleet Card that they must have a valid Fleet Card User Agreement (DGS OFAM 001) on file prior to driving a state vehicle.

7. Update current policies and procedures to ensure the Short-Term Vehicle Justification Form (DGS OFAM 100) is completed and submitted with the invoice when car rental transactions exceed the daily or weekly contracted rate. Management personnel and their staff should be reminded of the need

to complete the form and obtain prior supervisory approval. Travel expense claims including rental car transactions must have Justification Form (DGS OFAM 100) attached when submitting the TEC for approval to accounting for payments.

DISPOSAL OF SURPLUS PERSONAL PROPERTY

Policies and procedures have not been implemented to ensure sufficient documentation is maintained on the process used to dispose of surplus personal property. Specifically, our review of 13 (100%) Property Survey Reports (STD. 152s) showed that none of the samples were approved by Property Survey Board members in accordance with SAM 3520.2.

In addition, 2 of 3 (67%) were applicable to e-waste disposal samples that were signed without the organizations name included, and the department could not provide documentation for the disposal.

Recommendation

8. Update your surplus personal property program policies and procedures in accordance with State Administrative Manual and MM 13-08 which ensure that property disposals are approved by two Property Survey Board members. The certificate of disposition needs to be completed by the person supervising the disposal (including place and date of disposition).

CONCLUSION

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

California Environmental Protection Agency

Gavin Newsom
California Governor

Yana Garcia
Secretary for Environmental Protection

Zoe Heller
CalRecycle Director

Department of
Resources Recycling and Recovery

October 12, 2026

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

The Department of Resources Recycling and Recovery (CalRecycle) concurs with the recommendations in Draft Audit Report No. 6121. The corrective actions outlined below are intended to strengthen internal controls and accountability through timely authorization, complete documentation, clearly assigned supervisory responsibilities, and ongoing verification of compliance with applicable state requirements. The responses correspond to the report's eight numbered recommendations.

1. Contracting Program – Contractor Evaluation

The Contracts Unit has revised its tracking and follow-up procedures for Contractor Evaluation Forms (STD. 004). Quarterly notifications of contracts approaching expiration will be supplemented by contract-specific tracking of closeout dates and the 60-day submission deadline. Assigned Contract Analysts will conduct weekly follow-ups with Contract Managers until completed evaluations are received. Outstanding evaluations will be escalated to the Contracts Unit Supervisor and, as necessary, management before the deadline.

The second-level manager will review completed consulting services contracts monthly to verify that required evaluations are complete and were submitted within 60 days of contract closeout. Late or missing evaluations will be tracked through resolution with the responsible Contract Manager.

2. Contracts – Acquisitions of Services Paid by Cal-Card

CalRecycle has revised its purchase order tracking procedures and retrained staff and approvers to reinforce that required purchase documents must be fully approved before placing an order or using Cal-Card for the service acquisitions addressed by this finding. The Contracts and Purchasing Section will communicate the revised procedures and approval responsibilities to affected staff.

Cal-Card approvers will review monthly statements against supporting purchase documents, comparing approval dates with order and transaction dates to verify that required authorization preceded the purchase. Missing documentation, unapproved purchases, and approvals obtained after the transaction will be documented and referred to the responsible manager for corrective action.

3. Driver Safety and Insurance – Vehicle Authorizations

CalRecycle is updating its Policies and Procedures for Travel, Vehicle Use, and Fleet Management to reaffirm that employees must complete and obtain approval of an Authorization to Use Privately Owned Vehicles on State Business (STD. 261) before using a personal vehicle for state business. Authorizations must be reviewed and approved annually. Supervisors will verify current authorization before approving personal-vehicle use and related Travel Expense Claims (TECs).

The Business Services Unit will maintain completed forms, approval dates, and annual renewal records in a centralized Teams file and periodically remind employees and supervisors of their responsibilities. Monthly supervisory reviews will compare employees claiming personal-vehicle mileage with authorizations valid on their travel dates and verify timely annual renewals. Reviews will identify missing forms, expired authorizations, and claims submitted without valid prior authorization.

4. Driver Safety and Insurance – Defensive Driver Training

CalRecycle is updating its travel and vehicle-use procedures to clarify defensive driver training requirements and incorporate tracking and reporting standards consistent with Management Memo 11-04. Human Resources' Training and Development Unit, in coordination with Business Services, will maintain a roster of employees required to complete training under applicable state requirements and approved departmental policy. Supervisors will verify required training before assigning covered driving duties.

Training completion dates, four-year renewal dates, and supervisory verification records will be maintained centrally. The Training and Development Unit will issue periodic reminders, including advance notices of upcoming renewals. Monthly supervisory reviews will compare the employee roster and available vehicle-use records with training records to identify missing documentation or overdue training and verify completion of required follow-up.

5. Reporting and Review of Vehicle Accidents

CalRecycle will revise and reinforce its vehicle accident reporting procedures and train supervisors on their responsibilities. The employee's supervisor will investigate the accident, complete and sign the State Driver Accident Review (STD. 274), identify appropriate corrective action, and forward the form to DGS's Office of Risk and

Insurance Management (ORIM) and the department's Safety Coordinator within two business days.

Business Services will maintain an accident log identifying the responsible supervisor, backup, reporting deadline, and submission status. Open reports will be tracked daily, with missing reports escalated before the deadline and evidence of transmittal retained. Monthly supervisory reviews will compare the log with available fleet, repair, and claims records to check for omitted incidents, verify timely submissions, and track accident-related corrective actions through completion.

6. Fleet Management – State Fleet Card Program

CalRecycle is updating its fleet management procedures to reinforce the requirement for a complete Fleet Card User Agreement (DGS OFAM 001), including employee and supervisory signatures, before fleet-card use and associated state-vehicle access are authorized. The designated Fleet Card Coordinator will verify completed agreements, maintain written oversight procedures, and keep an authorized-user register.

Agreements will be maintained centrally, and Business Services will periodically remind employees of the requirements. Monthly supervisory reviews will compare the authorized-user register and agreements with vehicle-use and fleet-card records to identify missing signatures, incomplete agreements, or use without prior authorization. The Fleet Card Coordinator will submit the department's required annual certification to DGS and retain supporting documentation.

7. Fleet and Travel – Rental Car Usage Compliance

CalRecycle is revising its rental car procedures to reaffirm that employees must obtain supervisory approval of a Short-Term Vehicle Justification Form (DGS OFAM 100) before finalizing a rental requiring justification. This includes rentals exceeding authorized vehicle-size categories, including applicable zero-emission vehicle limits, as well as rentals above contracted rates or from noncontract vendors. Approved forms will accompany applicable rental invoices and Travel Expense Claims (TECs), and supervisors will verify approval before approving related claims.

CalRecycle plans to activate a positive-approval process through CI Azumano, in coordination with DGS's Statewide Travel Program, requiring affirmative approval of rental requests before reservations are finalized. This process will incorporate review of required OFAM 100 forms and other applicable exceptions, allowing the Accounting Travel Unit to verify that supporting documentation and required approvals are complete before a rental is authorized. Activation of the positive-approval process and completion of the updated procedures are targeted for December 31, 2026. CalRecycle will update training materials and train managers on advance-approval requirements.

8. Disposal of Surplus Personal Property

Business Services has updated the Property Survey (Surplus) Procedure Manual to document Board membership and reinforce required disposal approvals. The unit will maintain a current Property Survey Board roster and require two authorized Board members' signatures and approval dates on the Property Survey Report (STD. 152) before property is disposed of.

The person supervising disposal will complete the certificate of disposition, including the place and date of disposal. Records will identify the receiving organization, where applicable, and include supporting receipts or other disposition documentation, including for e-waste. Business Services will maintain these records centrally. Monthly supervisory reviews will compare asset removals with approved survey reports and completed disposition records to identify missing approvals, incomplete recipient information, or unsupported disposals.

Thank you for the opportunity to respond to the Audit Report. Should you have any questions or concerns regarding our response, please contact Marlene Boyd at (916) 341-6526.

Sincerely,

Zoe Heller
Director

CALIFORNIA DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY (CalRecycle)

EVALUATION OF CALRECYCLE'S RESPONSE

We have reviewed the response by the California Department of Resources Recycling and Recovery (CalRecycle) to our draft report. The response to the recommendations is satisfactory. We appreciate the efforts being made by CalRecycle to improve its business management functions and services.

As part of its operating duties, DGS is 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 CalRecycle's individual formal responses to our draft audit.