



MEMORANDUM

Date: April 25, 2017 File No.: 6124

To: Mark Ghilarducci, Director
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 Governor's Office of Emergency Services (GOES). 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).

The GOES' written response to our draft report is included in the final report. This report also includes our evaluation of the response. We are pleased with the actions being taken to address our recommendations.

As part of its operating responsibilities, the Office of Audit Services is responsible for following up on audit recommendations. Therefore, please submit a status report on the implementation of the recommendations to us by October 23, 2017. The necessity of any further status reports will be determined at that time. Please transmit your status report to: DGS - Office of Audit Services, 707 3rd Street, 8th Floor, West Sacramento, CA 95605 or via e-mail to Dennis.Miras@dgs.ca.gov.

We greatly appreciated the cooperation and assistance provided by GOES' personnel.

If you need further information or assistance on this report, please call / e-mail me at (916) 376-5064 / Dennis.Miras@dgs.ca.gov, or Christopher Harris, Management Auditor, at (916) 376-5059 / Chris.Harris@dgs.ca.gov.

Dennis M Miras

DENNIS M MIRAS, CIA
Supervisor, Office of Audit Services

Attachment

cc: Nancy Ward, Chief Deputy Director
Mitch Medigovich, Deputy Director, Logistics Management
Ron Williams, Manager, Disaster Logistics & Coordination
Christina Wabinga, Manager, Procurement and Logistical Services
Tamer El Saadany, Chief, Internal Audit Office

**GOVERNMENT OPERATIONS AGENCY
DEPARTMENT OF GENERAL SERVICES**

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

**FOR COMPLIANCE WITH STATE
BUSINESS MANAGEMENT POLICIES
REPORT NO. 6124**

OFFICE OF AUDIT SERVICES

NOVEMBER 2016

**GOVERNOR'S OFFICE OF EMERGENCY SERVICES
COMPLIANCE AUDIT
REPORT NO. 6124**

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STATE OF CALIFORNIA
DEPARTMENT OF GENERAL SERVICES
AUDITOR'S REPORT

DATE: April 25, 2017

TO: **MARK GHILARDUCCI**, Director
Governor's Office of Emergency Services

This report presents the results of our compliance audit of the business management functions and services of the Governor's Office of Emergency Services (GOES). 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 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 enterprises (DVBE) usage, driver safety and insurance, surplus property and real estate. Our audit was conducted in accordance with U.S. generally accepted auditing standards.

While in most areas we concluded that GOES 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 GOES in addressing these areas.

- Contracting program policies and procedures are not ensuring full compliance with state contracting requirements. The types of exceptions noted during our audit included: (1) contracts not being processed and approved in a timely manner; (2) prime contractors not being required to report the actual percentage of SB/DVBE subcontractor participation; (3) documentation not being maintained that contracts are sent to the State Personnel Board (SPB); (4) documentation not being maintained that full copies of personal services contracts are sent to organizations representing state employees before being executed; (5) mandated contractor certification clauses not being used or otherwise referenced; and, (6) documentation not being maintained that contracts are entered into the state's centralized database for contract and purchase transactions.
- The GOES' driver safety and insurance program is not ensuring that employees who use their own vehicle to conduct state business complete and annually update a vehicle certification form. Policies and procedures are also not ensuring that frequent drivers attend a defensive driver training course once every four years. Further, GOES has not been submitting an annual defensive driver training report to DGS.
- The GOES is not reporting all motor vehicle accidents to the DGS' Office of Risk and Insurance Management (ORIM) within 48 hours of the accident. Further, supervisors are not always completing a report containing an evaluation of the cause of an accident.

During our review we also identified other matters requiring attention that we discussed with GOES' management but are not included 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, GOES' 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. The GOES' 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 each of our recommendations as well as our evaluation of the response is included in this report.

We greatly appreciated the cooperation and assistance provided by GOES' personnel.

If you need further information or assistance on this report, please contact me at (916) 376-5064, or Christopher Harris, at (916) 376-5059.

Dennis M Miras

DENNIS M MIRAS, CIA
Supervisor, Office of Audit Services

Staff: Christopher Harris, Management Auditor

cc: Nancy Ward, Chief Deputy Director
Mitch Medigovich, Deputy Director, Logistics Management
Ron Williams, Manager, Disaster Logistics Planning & Coordination
Christina Wabinga, Manager, Procurement and Logistical Services
Tamer El Saadany, Chief, Internal Audit Office

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 Governor's Office of Emergency Services (GOES) 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: contracting for services; annual certification and authorization to use privately owned vehicles on state business; attendance of a defensive driver training course by frequent drivers; annual submission of a defensive driver training report; timely reporting of all motor vehicle accidents; and, supervisory evaluation of the cause of motor vehicle accidents.

This information was developed based on our fieldwork conducted over the period July 11, 2016 through September 29, 2016. Although the finalization of our report was somewhat delayed due to other high priority assignments, as findings were observed and developed during our audit fieldwork, GOES' management was promptly advised of any areas of concern so that they could begin taking corrective action. Further, at our November 2016 audit exit conference, GOES 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 2015/16 and 2016/17 fiscal years.

CONTRACTING PROGRAM

Our sample tests of various types¹ of contracts processed by GOES disclosed a number of 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 State Contracting Manual (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:

- contracts not being processed in a timely manner, i.e., 11 of 24 total contracts tested were approved up to 32 days after the agreement's commencement date (SCM 1, 4.09);

¹ The types of contracts tested for compliance included both contracts subject to DGS (9) review and approval (generally contracts of an amount of \$50,000 or more) and those delegated to the GOES (15) to directly execute (generally contracts of an amount under \$50,000).

GOVERNOR'S OFFICE OF EMERGENCY SERVICES
Findings and Recommendations, Cont'd

- prime contractors not being required to report, within 60 days of receiving final payment under a contract, the actual percentage of small business and/or disabled veteran business enterprises subcontractor participation that was achieved (Contract General Terms and Conditions 610, #19);
- documentation not being maintained that a contract was sent to the State Personnel Board for none of the 15 delegated contracts tested (SPB) (SCM 7.05);
- documentation not being maintained that organizations representing state employees have been notified and provided a full copy of the contract for personal services for none of the 15 delegated contracts tested (MM14-01, SCM 7.05);
- a real estate service contract not being approved by RESD as required (SAM 1300);
- no documentation that a contract was entered into the state's centralized database for contract and purchase transactions for eight of the 15 delegated contracts tested (SCM 2, 8.1.1)²;
- mandated contractor certification clauses not being used or otherwise referenced as required for nine of the 15 delegated contracts tested (SCM 4.08.A.1.d.4);
- and, the Department of Fair Employment and Housing not being notified of contracts awarded in excess of \$5,000 (SCM 7.15.B.2).

Recommendations

1. Implement additional quality assurance policies and procedures to assist in ensuring full compliance with the state's contracting requirements. This process should address the issues noted above.

DRIVER SAFETY AND INSURANCE PROGRAM

The GOES 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 for damages, repairs to state vehicles, workers' compensation claims and lost productivity. 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 employees who use their own vehicle to conduct state business. Specifically, at the time of our audit tests, a current STD 261 was not available for 12 of 20 employees included in our sample tests who used their own vehicle on state business. More precisely, eight were expired and completed during testing and four had no record of a STD 261 ever having been completed. The GOES' travel policies provide that managers/supervisors are to monitor their employees for the proper and timely completion of STD 261s. As shown by the results of our review, these policies have not been effective.

² At the time of our audit, the entering of contract data was required as part of the state's eProcurement system. In January 2016, the state transitioned to a new financial data system, FISCAL, which contains different documentation requirements.

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; and,
 - In safe mechanical condition.
- ***Defensive Driver Training*** – our review of the 20 frequent drivers identified above also found that 7 of them 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. At GOES, the responsibility for ensuring that employees attend a driver training course rests with managerial/supervisory personnel. As shown by the results of our tests, these employees are not entirely enforcing this requirement.

In addition, GOES has not been submitting a defensive driver training report that is due to DGS by September 1 of each year (Management Memo 11-04). The report contains defensive driver training information for the preceding fiscal year including data on the number of employees required to take the training for the reporting fiscal year and the number of employees completing the training.

Recommendations

2. Implement policies and procedures that ensure the completion and annual update of a STD 261 certification form by employees who use their own vehicle to conduct state business. This process should include an annual notification to managers/supervisors of their responsibility for ensuring the completion and updating of the form.
3. Periodically reemphasize to operating unit managers and supervisors their responsibility for ensuring that employees who frequently drive on state business attend an approved defensive driver training course at least once every four years.
4. Submit a defensive driver training report to DGS by September 1 of each year.

REPORTING AND REVIEW OF VEHICLE ACCIDENTS

The GOES has not implemented policies and procedures which ensure that motor vehicle accidents are reported to the DGS' Office of Risk and Insurance Management (ORIM) in a timely fashion. Specifically, during our review of GOES' accident reporting process for the first seven months of the 2016 calendar year, of 22 accidents tested and reported to ORIM, we noted 16 accident reports (73%) on file at GOES that had been submitted to ORIM up to 24 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 17 of the 22 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.

It should be noted that, although having the responsibility for tracking accident reports, at the time of our review, GOES' fleet management coordinator's responsibilities did not include monitoring to ensure compliance with the state's motor vehicle accident reporting requirements. The GOES' operating units are responsible for compliance with the state's accident reporting requirements.

Recommendation

5. 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 a report containing an evaluation of the cause of the accident. This process should include the annual notification of managers and supervisors of their accident reporting and review responsibilities. Further, if deemed feasible, policies should provide that the fleet management coordinator monitor to ensure compliance with the state's motor vehicle accident reporting requirements.

CONCLUSION

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

**Responses to DGS Audit of the Governor's Office of Emergency Services for
Compliance with State Business Management Policies
Report No. 6124**

Contracting Program

Exception

"Contracts not being processed in a timely manner, i.e., 11 of 24 total contracts tested were approved up to 32 days after the agreement's commencement date (SCM 1, 4.09)".

Cal OES's Response

Recently, Procurement and Logistical Services (PALS) implemented an internal policy that all contracts need to be fully executed prior to the contract performance start date. In addition, PALS has added "Or upon Cal OES's Approval" or "Or upon DGS's Approval" on the face sheet of the STD 213 Standard Agreement and on the Statement of Work. Furthermore, to ensure timely approvals in the Lotus Notes system, PALS has transferred the responsibility to submit the "Lotus Notes Contracts Request" to the appropriate Division/ Programs.

Exception

"Prime contractors not being required to report, within 60 days of receiving final payment under a contract, the actual percentage of small business and/or disabled veteran business enterprises subcontractor participation that was achieved (Contract General Terms and Conditions 610, #19)".

Cal OES's Response

Currently, Contract Analysts are required to ensure that the GSPD 05-105 Bidder Declaration is included in the executed contract when a Prime Contractor is sub-contracting with a SB/DVBE Contractor. A new policy will be implemented to ensure the Contract Unit Manager reviews contract files for completeness, before archived.

Exception

"Documentation not being maintained that a contract was sent to the State Personnel Board for none of the 15 delegated contracts tested (SPB) (SCM 7.05)".

Cal OES's Response

All Cal OES contracts are entered into in accordance with SCM Volume 1, 7.05. Civil Service Considerations. Cal OES chose to follow the "Basic Considerations" stated in GC §19130 (b), which does not require State Personnel Board notification. State

Personnel Board notification is only required when executing agreements utilizing GC §19130 (a) (Cost Savings) per SCM Volume 1, 7.05.

In addition, Cal OES retains necessary GC 19130 justifications in the contract files in the event that SPB review is requested, as required per SCM Volume 1, 7.05 A, 2, C.

Exception

“Documentation not being maintained that organizations representing state employees have been notified and provided a full copy of the contract for personal services for none of the 15 delegated contracts tests (MM 14-01, SCM 7.05)”.

Cal OES’s Response:

Currently, Contract Analysts are required to follow DGS MM-14-01, which states, in part, “... *The notifications to employee organizations could be done, for example, **electronically by email**, mailing of an electronic media (e.g., a compact disc), or posting to a website that automatically notifies the employee organization representatives of the proposed contract, and that provides easy access to the full copy.*”

To meet these requirements:

- Contracts Analysts require requesting Programs to complete a GC§19130 Request for Exemption which outlines the justification of why they wish to contract out for services;
- Contract Analysts then forward the GC§19130 Request for Exemption to Labor Relations and Legal for approval and for Labor Relations to indicate which unions are recommended to send the proposed contract to;
- Contract Analysts email the proposed “Agreement” to the unions indicated by our Labor Relations Officer; and
- Contract Analysts print and retain emails sent to the union in the contract files.

A new internal directive has been implemented to ensure that the Contract Unit Manager reviews the contract file for completeness before the contract file is placed in the file room. Policy directive implementation will be forthcoming.

Exception

“A real estate service contract not being approved by RESD as required (SAM 1300)”.

Cal OES's Response:

Currently, Divisions/Programs are required to contact DGS RESD prior to entering a PPR or Contract Office request for applicable contracts. Contract Analysts are required to maintain a copy of the RESD approval in the official contract file.

A new internal directive has been implemented to ensure the Contract Unit Manager reviews contract files for completeness, before archived.

Exception

"No documentation that a contract was entered into the state's centralized database for contract and purchase transactions for eight of the 15 delegated contracts tested (SCM 2, 8.1.1.)".

Cal OES's Response:

Recently, an internal policy was implemented to complete a Contract Log Sheet which outlines the steps of the contracting process. One of the fields on the Contract Log Sheet indicates the necessity to register the Contract with in SCPRS via Fi\$Cal.

Each Analyst must complete and date when action item was completed. Also, it is an internal policy that each Analyst prints the SCPRS registration and places it inside the contract file.

A new internal directive has been implemented to ensure the Contract Unit Manager reviews contract files for completeness, before archived.

Exception

"Mandated contractor certification clauses not being used or otherwise reference as required for nine of the 15 delegated contracts tested (SCM 4.08. A.1.d.4)".

Cal OES's Response:

Currently, Contract Analysts are required to obtain Contractor Certification Clause with each contract file. A new internal directive has been implemented to ensure the Contract Unit Manager reviews contract files for completeness, before archived.

Exception

"The Department of Fair Employment and Housing not being notified of contracts awarded in excess of \$5,000 (SCM 7.15.B.2.)".

Cal OES's Response:

Recently, the Contracts Unit has implemented a Contract Log Sheet to ensure the Analysts are capturing each process along the way. If the process or step does not

apply, the Analysts are required to put "N/A" to show the step/process was not overlooked for that contract. The requirement to retain the DFEH form (STD 16) is reflected on the Contract Log Sheet. Analysts are required to send the STD 16 to the DFEH via email, print out the email that was sent, and retain the email as well as the original signed form in the contract file.

A new internal directive has been implemented to ensure the Contract Unit Manager reviews contract files for completeness, before archived.

Driver Safety and Insurance Program

Exception

"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 employees who use their own vehicle to conduct state business".

Cal OES's Response:

Currently, Internal Policy Personnel emails an agency-wide email addressing staff that operates a rental vehicle at least one day a week or employees that drive their personal vehicles on state business at least one day a week (copy of email sent provided).

A new policy will be implemented to ensure that managers/supervisors receive annual notifications reminding them of their responsibility for ensuring the completion and updating of the STD 261 forms.

Exception

"Defensive Driver Training – our review of the 20 frequent drivers identified above also found that 7 of them had not attended a defensive driver training course within the last four years".

"In addition, GOES has not been submitting a defensive driver training report that is due to DGS by September 1 of each year (Management Memo 11-04)".

Cal OES's Response:

Internal Policy Fleet Management and Training Office will implement a policy and procedure to ensure that a yearly email is distributed with instructions for staff to attend Defensive Driver training. In addition, each training coordinator will be required to maintain the training certificates and update training requirements as required by DGS (every 4 years).

A new policy will be implemented to ensure that a defensive driver training report is submitted to DGS by September 1 of each year.

Reporting and Review of Vehicle Accidents

Exception

“The GOES has not implemented policies and procedures which ensure that motor vehicle accidents are reported to the DGS’ office of Risk and Insurance Management (ORIM) in a timely fashion”.

“We also determined that a report containing a supervisor’s evaluation of an accident’s cause was not on file for 17 of the 22 accidents we tested”.

Cal OES’s Response:

Fleet Management has a Fleet Policy and handbook that is provided to each driver that drives a state issued vehicle. The Information is listed in Section 7.00 Information Management and Reporting Procedures (Page 44).

A new policy will be implemented to ensure that a motor vehicle accident report is submitted to ORIM within 48 hours of an accident and that supervisors complete a report containing an evaluation of the cause of the accident. The annual notification of managers and supervisors of their accident reporting and review responsibilities will also be implemented.

**GOVERNOR'S OFFICE OF EMERGENCY SERVICES
COMPLIANCE AUDIT**

EVALUATION OF GOES' RESPONSE

We have reviewed the response by the Governor's Office of Emergency Services (GOES) to our draft report. The response to the recommendations is satisfactory. We appreciate the efforts taken or being taken by GOES to improve its business management functions and services.