



# MEMORANDUM

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**Date:** September 6, 2019 File No.: 9126

**To:** **Bruce Saito**, Director  
California Conservation Corps  
1719 24th Street  
Sacramento, CA 95816

**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 Conservation Corps (CCC). 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).

CCC'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. Therefore, please submit a status report on the implementation of each to us by March 6, 2020.

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, supporting documentation should include: Sample copies of updated bid packages outlining to prime contractors the requirements of reporting on DVBE sub-contracting usage; pertinent excerpts from the updated Operations Manual (OM) defining policies and procedures related to DVBE subcontractor usage reporting; a completed and executed copy of the State Department's Contractor DVBE Subcontracting Consolidation Report which would have been submitted by November 1, 2019; sample copies of revised bid packages requiring vendors to provide the Civil Rights Law Certification for bids exceeding \$100,000; and, excerpts of the updated OM related to this vendor certification.

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 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 CCC's 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](mailto:Dennis.Miras@dgs.ca.gov), or Eric Kim, Management Auditor, at (916) 376-5071 / [Eric.Kim@dgs.ca.gov](mailto:Eric.Kim@dgs.ca.gov).

*Dennis M Miras*

DENNIS M MIRAS, CIA  
Manager, Office of Audit Services

Attachment

cc: Amy Cameron, Chief Deputy Director  
Dawne Bortolazzo, Deputy Director, Administration  
Michael Haupt, Chief, Business Services & Contracts

**GOVERNMENT OPERATIONS AGENCY  
DEPARTMENT OF GENERAL SERVICES**

**AUDIT OF THE  
CALIFORNIA  
CONSERVATION CORPS**

**FOR COMPLIANCE WITH STATE  
BUSINESS MANAGEMENT POLICIES  
REPORT NO. 9126**

**OFFICE OF AUDIT SERVICES**

**JULY 2019**



**CALIFORNIA CONSERVATION CORPS  
COMPLIANCE AUDIT  
REPORT NO. 9126**

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

DATE: September 6, 2019

TO: **Bruce Saito**, Director  
California Conservation Corps

This report presents the results of our compliance audit of the business management functions and services of the California Conservation Corps (CCC). 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 CCC 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 CCC in addressing these issues:

- CCC is not requiring prime contractors to certify and report on DVBE sub-contracting usage.
- CCC is not submitting a required consolidated DVBE subcontracting report.
- CCC is not requiring vendors to certify compliance when making acquisitions that exceed \$100,000.

During our review we also identified other matters requiring attention, but did not pose a significant risk to the business management functions, which were discussed with CCC's management and 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, CCC'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. CCC'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 each of our recommendations as well as our evaluation of the response is included in this report.

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

If you need further information or assistance on this report, please contact me at (916) 376-5064, or Eric Kim, at (916) 376-5071.

*Dennis M Miras*

DENNIS M MIRAS, CIA  
Manager, Office of Audit Services

Staff: Eric Kim, Management Auditor

cc: Amy Cameron, Chief Deputy Director  
Dawne Bortolazzo, Deputy Director, Administration  
Michael Haupt, Chief, Business Services & Contracts



# CALIFORNIA CONSERVATION CORPS

## 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 Conservation Corps (CCC) 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: prime contractors' certification and reporting of DVBE (disabled veteran business enterprises) sub-contracting usage; the preparation and submission of a required consolidated DVBE subcontracting report; and, vendor certifications when procurements exceed \$100,000.

This information was developed based on our fieldwork conducted over the period March 04, 2019 through July 17, 2019. In addition to this written report, as findings were observed and developed during our audit fieldwork, CCC's management was promptly advised of any areas of concern so that they could begin taking corrective action. Further, at our July 17, 2019 audit exit conference, CCC 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 2018-19 fiscal year.

#### **REPORTING OF DVBE SUB-CONTRACTOR USAGE**

CCC does not have policies and procedures in place to ensure that prime contractors report on DVBE sub-contracting usage within 60 days of receiving final payment for the contract. As mandated by the State Contracting Manual (SCM) Volume 1, Chapter 8, Section 8.16 (C), an awarding department is to use the Prime Contractor's DVBE Subcontracting Report to require the prime contractor that entered into a subcontract with a DVBE to capture and certify the following:

- a. Total amount the prime contractor received under the contract.
- b. Name and address of the DVBE that participated in the performance of the contract.
- c. Amount each DVBE received from the prime contractor.
- d. That all payments under the contract have been made to the DVBE(s).

Further, CCC is not preparing and submitting the State Department's Contractor DVBE Subcontracting Consolidation Report. This report, which is prepared from the above information obtained, is due to DGS' Procurement Division, Office of Small Business and Disabled Veteran Business Enterprise Services (OSDS) annually on November 1<sup>st</sup> and is required by Broadcast Bulletin (BB) # P-19-14.

Responsible business services and contract management personnel were unaware of these requirements.

### **Recommendations**

1. Implement policies and procedures that ensure prime contractors certify and report DVBE sub-contracting usage within 60 days of receiving final payment for the contract.
2. Submit the required consolidated DVBE subcontracting report by November 1 of each year.

### **VENDOR CERTIFICATION WHEN PROCUREMENT EXCEEDS \$100,000**

CCC is not requiring vendors to certify that they are in compliance with governing laws when making acquisitions that exceed \$100,000. Specifically, DGS' Procurement Division BB # P-02-17 requires that all procurements exceeding \$100,000 include (at the bid or proposal stage) certifications documenting compliance with the Unruh Civil Rights Act and the Fair Employment and Housing Act (the Acts). The intention is to preclude State agencies from contracting with entities that have policies or practices that violate these Acts.

### **Recommendation**

3. Institute policies and procedures which will ensure that vendors certify compliance with the Acts when procurements exceed \$100,000.

### **CONCLUSION**

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



August 29, 2019

Department of General Services  
Office of Audit Services  
707 Third Street  
West Sacramento, California, 95605  
Attn: Dennis Miras, Manager of Audit Services

Dear Mr. Miras,

The California Conservation Corps (CCC) is aware of the audit findings, and are committed to assure policies and procedures are being followed appropriately, and intend to follow the recommendations swiftly and completely. Please see responses below:

**Finding:** The California Conservation Corps is not obtaining the report from the contractor that states the following for subcontracting participation within 60 days of receiving final payment for the contract.

**Response:** The CCC's Business Services Unit (BSU) is currently revising and updating all bid packages, including public works, to define procedures to prime contractors who subcontract work to DVBE's on the submission of DVBE subcontracting report form (Std. 810P). Estimated completion September 1, 2019.

CCC Contracting Staff will be trained on procedures to collect form 810P from prime contractors and how to compile all payment information from the Std. 810P. This data will be included in the consolidated report Std.810D and will be submitted annually to OSDS. Estimated completion September 15, 2019.

CCC BSU will update the Operations Manual to define policies and procedures to ensure this process is performed correctly in the future. Estimated completion October 31, 2019.



**Finding:** California Conservation Corps is not submitting a required consolidated DVBE subcontracting report.

**Response:** The CCC's BSU Small Business Advocate has completed the CAR Report to include the missing form. The form was submitted with the 18/19 CAR Report.

**Finding:** California Conservation Corps is not obtaining signed certification from bidders for the contracts at \$100,000 and over. For all acquisitions that exceed \$100,000, departments must require vendors to certify that they are in compliance with Acts.

**Response:** The CCC's BSU is currently revising and updating all bid packages to include the Civil Rights Law Certification for bids exceeding \$100,000 (Estimated completion September 1, 2019).

CCC Contracting Staff will be trained on procedures for obtaining the required certification when necessary. Estimated completion September 15, 2019.

CCC BSU will update the Operations Manual to define policies and procedures to ensure this process is performed correctly in the future. Estimated completion October 31, 2019.

Thank you for the opportunity to respond to the Draft Audit Report. Should you have any questions or concerns regarding our response, please contact Michael Haupt at (916) 341-3156.

Sincerely,



Bruce Saito  
Director  
California Conservation Corps

# **CALIFORNIA CONSERVATION CORPS (CCC)**

## **COMPLIANCE AUDIT**

### **EVALUATION OF CCC'S RESPONSE**

We have reviewed the response by the California Conservation Corps (CCC) to our draft report. The response to the recommendations is satisfactory and we appreciate the efforts taken or being taken by CCC 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, supporting documentation should include: Sample copies of updated bid packages outlining to prime contractors the requirements of reporting on DVBE sub-contracting usage; pertinent excerpts from the updated Operations Manual (OM) defining policies and procedures related to DVBE sub-contractor usage reporting; a completed and executed copy of the State Department's Contractor DVBE Subcontracting Consolidation Report which would have been submitted by November 1, 2019; sample copies of revised bid packages requiring vendors to provide the Civil Rights Law Certification for bids exceeding \$100,000; and, excerpts of the updated OM related to this vendor certification.