DGS
GENERAL SERVICES

MEMORANDUM

Date: January 16, 2014 File No.: 2122

To: Caroll Mortensen, Director
Department of Resources Recycling and Recovery
1001 I Street, 25th Floor
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 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.

As noted in the report, we concluded that CalRecycle is conducting its business management functions and services in compliance with state requirements.

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

If you have any questions, please call me at (916) 376-5058, or Andy Won, Audit Supervisor, at (916) 376-5052.

RICK GILLAM, CPA, CIA
Chief, Office of Audit Services

Attachment

cc: Tom Estes, Deputy Director, Administration, Finance & Information Technology Services
Kellie Schneider, Chief, Administrative Services Branch

STATE AND CONSUMER SERVICES AGENCY

DEPARTMENT OF GENERAL SERVICES

AUDIT OF THE
DEPARTMENT OF RESOURCES
RECYCLING AND RECOVERY

FOR COMPLIANCE WITH STATE
BUSINESS MANAGEMENT POLICIES
REPORT NO. 2122

OFFICE OF AUDIT SERVICES

NOVEMBER 2012

DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY
COMPLIANCE AUDIT
REPORT NO. 2122

TABLE OF CONTENTS

	PAGE
AUDITOR'S REPORT	1

STATE OF CALIFORNIA

DEPARTMENT OF GENERAL SERVICES

AUDITOR'S REPORT

DATE: January 16, 2014

TO: **CAROLL MORTENSEN**, Director
Department of Resources Recycling and Recovery

This report presents the results of our compliance audit of the business management functions and services of the 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. 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, records and forms management, surplus property and real estate. Our audit was conducted in accordance with U.S. generally accepted auditing standards.

Based on the results of our primary fieldwork conducted over the period March 21, 2012 through November 16, 2012 and limited follow-up work conducted in November and December 2013, we concluded that CalRecycle is conducting its business management functions and services in compliance with state requirements. However, we did identify a number of areas for improvement with those functions and services. These matters included our concern that business management policies and procedures were not ensuring the: (1) maintenance of up-to-date records retention schedules; (2) processing of a justification form when an employee rents a vehicle in specified circumstances, such as when renting a vehicle larger than an intermediate size; and, (3) maintenance of complete documentation on the process used to dispose of surplus personal property.

In addition, we noted that contracting policies and procedures were not always ensuring that: (1) contractor performance evaluations are completed for consulting services contracts of $5,000 or more: (2) a verification is made prior to contract award that a corporation is in good standing to do business in California; and, (3) quotes are received from two responsible bidders when using the SB/DVBE Option solicitation method.

Prior to the completion of our audit, we verified that appropriate actions had been or were being taken to address the above issues. Therefore, they are not further discussed in this report.

We are pleased with the prompt actions taken by CalRecycle to address findings identified during our audit fieldwork. 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.

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 2011/12 fiscal year. We greatly appreciated the cooperation and assistance provided by CalRecycle's personnel.

If you need further information or assistance on this report, please contact me at (916) 376-5058, or Andy Won, Audit Supervisor, at (916) 376-5052.

RICK GILLAM, CPA, CIA
Chief, Office of Audit Services

Staff: Andy Won, Audit Supervisor
Monica De La Rosa

cc: Tom Estes, Deputy Director, Administration, Finance & Information Technology
Kellie Schneider, Chief, Administrative Services Branch