DGS
GENERAL SERVICES

MEMORANDUM

Date: November 14, 2014 File No.: 3124

To: Selvi Stanislaus, Executive Officer
Franchise Tax Board
P.O. Box 115
Sacramento, CA 95741-0115

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 Franchise Tax Board (FTB). 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 FTB is conducting its business management functions and services in compliance with state requirements.

We greatly appreciated the cooperation and assistance provided by FTB'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: Chris Beach, Chief, Administrative Services Division
Jeanne Harriman, Director, Financial Management Bureau
Paul Ogden, Director, Business & Human Resources Bureau
Michael Banuelos, Director, Procurement & Asset Management Bureau
Daniel Gonzalez, Director, Investigations Bureau
Andrea Van Walleghem, Director, Internal Audit Bureau

GOVERNMENT OPERATIONS AGENCY

DEPARTMENT OF GENERAL SERVICES

AUDIT OF THE
FRANCHISE TAX BOARD

FOR COMPLIANCE WITH STATE
BUSINESS MANAGEMENT POLICIES
REPORT NO. 3124

OFFICE OF AUDIT SERVICES

MARCH 2014

FRANCHISE TAX BOARD
COMPLIANCE AUDIT
REPORT NO. 3124

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STATE OF CALIFORNIA

DEPARTMENT OF GENERAL SERVICES

AUDITOR'S REPORT

DATE: November 14, 2014

TO: **SELVI STANISLAUS**, Executive Officer
Franchise Tax Board

This report presents the results of our compliance audit of the business management functions and services of the Franchise Tax Board (FTB). 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 and disabled veteran business enterprises 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 fieldwork conducted over the period June 19, 2013 through March 19, 2014, we concluded that FTB 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) attendance of a defensive driver training course by frequent drivers; (2) completion and annual update of a vehicle certification form by employees who use their own vehicle to conduct state business; (3) timely reporting and supervisory review of motor vehicle accidents; (4) maintenance of complete documentation on the process used to dispose of surplus personal property: and, (5) maintenance of up-to-date records retention schedules.

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 FTB 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. FTB'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 2012/13 and 2013/14 fiscal years.

We greatly appreciated the cooperation and assistance provided by FTB'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

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