



California Department of Consumer Affairs Bureau of Automotive Repairs Operational Audit

*DCA Internal Audit Office
Report 2015-101
October 2015*



March 16, 2016

Patrick Dorais, Chief
Bureau of Automotive Repair
10949 North Mather Boulevard
Rancho Cordova, CA 95670

Subject: Final Audit Report of the Operational Audit–Bureau of Automotive Repair

Dear Mr. Dorais:

Enclosed please find our final audit report for the Bureau of Automotive Repair (BAR). The audit was performed at the request of the Department of Consumer Affairs (DCA) audit committee to provide an assessment of the BARs' operations. The audit test period was July 2014 – December 2014. The last day of fieldwork was September 10, 2015.

We have incorporated the BAR written responses into our final audit report.

We will return to BAR for follow-up reviews after 180-days and 360-days from the date of the final report to evaluate your progress in implementing the audit recommendations.

We appreciate the cooperation extended by BARs' staff during the course of the audit. If you have any questions, please contact me at (916) 574-8192.

Sincerely,

A handwritten signature in blue ink, appearing to read "Annecia Wallace".

Annecia Wallace
DCA Internal Audit Chief

cc: Awet Kidane, Chief Deputy Director
Audit Committee

Enclosure: Final Audit Report of the Operational Audit – Bureau of Automotive Repair
BAR Audit Report Response

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Report Summary

The Department of Consumer Affairs' (DCA) Internal Audit Office completed an operational audit of the Bureau of Automotive Repair (BAR). Our audit examined the BARs' operational processes.

To evaluate the BARs' operations, we interviewed pertinent personnel, reviewed relevant documentation and processes. We performed compliance testing of key functions and compared actual operations to applicable laws, regulations, and guidelines. Our audit test period was from July 2014 through December 2014. Our last day of audit fieldwork was September 10, 2015.

Our audit revealed that, overall, BAR's operations are operating efficiently and effectively. However, BAR has three operational deficiencies that need to be addressed. The following audit issues are addressed in detail under the Findings and Recommendations section of this report:

1. The Enforcement unit has multiple tracking systems, which makes reconciliation of the data more difficult and could allow the data to be manipulated thus providing inaccurate information.

Recommendation: Management should enforce the use of the Consumer Affairs System (CAS) for the tracking of all areas of the Enforcement Unit.

2. There is inadequate documentation that the Program Representatives I's and II's completed all mandatory training.

Recommendation: All mandatory training should be tracked and documented.

3. The Enforcement Manual and the accompanying flowcharts for the citation and citation appeals processes contain multiple timeframes for the processing of citations and citation appeals. However, the timeframes are not followed or enforced.

Recommendation: The BAR Enforcement Unit should adhere to the timeframes listed in the Enforcement Manual and the accompanying flowcharts or revise the BAR Enforcement Manual and the flowcharts to accurately reflect the citation and the citation appeal processes.

Background

BAR was established within the Department of Consumer Affairs (DCA) in 1972 with the enactment of the Automotive Repair Act (Act) (Senate Bill 51, Beilenson, Chapter 1578, Statutes of 1971). In response to consumer and industry concerns about fraud and incompetence in the auto repair business, the Act established BAR as the licensing and regulating authority over automotive repair dealers.

In 1982, California became the 20th state in the nation to adopt a vehicle inspection and maintenance (Smog Check) program. Pursuant to authority granted by SB 33 (Presley, Chapter 892, Statutes of 1982), BAR became the administrator of the program in 1984.

For more than 40 years, BAR has helped California consumers keep their cars on the road. From its headquarters in Sacramento and 12 field offices stationed throughout the State, BAR serves many functions and offers various programs aimed at promoting the protection of Californians.

The BARs' mission is to promote and protect the interests of California consumers. BAR provides a wide range of consumer protection services, including:

- Registers and regulates approximately 36,000 California automotive repair dealers
- Licenses Smog Check stations, technicians, and inspectors
- Licenses brake and lamp stations and adjusters
- Mediates automotive repair complaints saving California consumers over \$6 million each year in the form of direct refunds, rework, and bill adjustments
- Investigates and takes disciplinary action against licensees who violate the law
- Administers and enforces the Smog Check Program
- Helps to keep California's air clean by reducing air pollution produced by motor vehicles

Objectives, Scope and Methodology

The objectives of this audit were to determine if BAR:

- Has a sound strategic planning process to evaluate its operations;
- Established policies and procedures to guide staff in effectively handling operational activities;
- Has adequate internal controls;
- Has adequate separation of duties, and,
- Has complied with the applicable laws and regulations.

The scope of the audit will include reviewing the BARs' operations, including calendar year, January 1, 2014 – December 31, 2014 and testing the operations for the period July 1, 2014 through December 31, 2014.

The following procedures were performed to address the audit objectives:

- Interviewed key personnel, including BAR staff to obtain their perspectives;
- Reviewed available written policies and procedures governing BARs' operations;
- Reviewed prior audit reports;
- Tested the administrative internal control processes to determine if BAR is in accordance with the state and federal laws; and
- Determine whether BAR has adequate internal controls of its' operations.

Findings and Recommendations

1. Enforcement Unit Tracking Systems

The Enforcement unit has multiple tracking systems, which makes reconciliation of the data more difficult and could allow the data to be manipulated thus providing inaccurate information.

Government Code, Title 2, Chapter 6, Section 13403(a), states in part, Internal accounting and administrative controls, if maintained and reinforced through effective monitoring systems and processes, are the methods through which reasonable assurances can be given that measures adopted by state agency heads to safeguard assets, check the accuracy and reliability of accounting data, *promote operational efficiency (emphasis added)*, and encourage adherence to prescribed managerial policies are being followed.

Management has not enforced the use of CAS and has allowed the development of multiple tracking systems in the Enforcement Unit.

Recommendation:

Management should enforce the use of the CAS for the tracking of all areas of the Enforcement Division.

2. Mandatory Training

There is inadequate documentation that the Program Representatives I's and II's completed all mandatory training.

The BAR manual states, Training Requirements, Section 401.13, "all new Programs Representative I's are to complete the following training curriculum with the first year of service:

Program Representative I Training
BAR Laws and Regulations
Regulatory Investigative Techniques
Report Writing and Punctuation
Computer Skills – Microsoft Word/Excel
Defensive Driving

On an ongoing basis, all Program Representative Is and IIs are to complete the following training courses biennially:

Court Preparation and Testimony
Policy and Procedure Update Training
General Engine Performance and Emission Update”

Without adequate documentation of mandatory training, there is no evidence that all Program Representatives I’s and II’s are adequately trained.

Recommendation:

All mandatory training should be tracked and documented.

3. Inadequate Internal Controls

The Enforcement Manual and the accompanying flowcharts for the citation and citation appeal processes list multiple timeframes for the processing of citations and the citation appeals, however, the timeframes are not followed. For example:

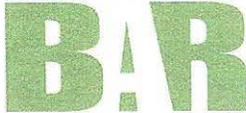
- Respondent request an information appeal – 30 days
- Appeal report package to executive – 5 days
- Informal appeal held within – 60 days
- Hearing officer reviews appeal and renders decision– 5 days

According to the BAR Enforcement Manual, the processing of citations and citation appeal process is to be completed in a prescribed timeframe.

Not enforcing the requirements set forth in the Enforcement Manual delineates a lack of good internal controls over the citation and citation appeals processes.

Recommendation:

Adhere to the timeframes listed in the Enforcement Manual and the accompanying flowcharts or revise the Enforcement Manual and the flowcharts to reflect the actual process.



Bureau of Automotive Repair

EXECUTIVE OFFICE

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MEMORANDUM

DATE	March 15, 2016
TO	Annecia Wallace DCA, Internal Audit Chief
FROM	Patrick Dorais, Chief Bureau of Automotive Repair 
SUBJECT	Draft Audit Report Responses

The following memo is in response to your letter dated March 1, 2016, requesting responses to the proposed corrective actions recently outlined in the Draft BAR Audit Report.

1. Enforcement Unit Tracking Systems

The Enforcement Unit has multiple tracking systems, which makes reconciliation of the data more difficult and could allow the data to be manipulated thus providing inaccurate information.

Government Code, Title 2, Chapter 6, Section 13403(a), states in part, Internal accounting and administrative controls, if maintained and reinforced through effective monitoring systems and processes, are the methods through which reasonable assurances can be given that measures adopted by state agency heads to safeguard assets, check the accuracy and reliability of accounting data, *promote operational efficiency (emphasis added)*, and encourage adherence to prescribed managerial policies are being followed.

Management has not yet enforced the use of CAS and has allowed the development of multiple tracking systems in the Enforcement Unit.

Recommendation:

Management should enforce the use of the CAS for the tracking of all areas of the Enforcement Division.

BAR Solution:

Enforcement management is aware of this issue. As part of the recent creation of the Enforcement Operations Branch (EOB) to replace the former Enforcement Planning and Oversight Branch, EOB management is conducting a detailed review of all the stand-alone tracking databases/spreadsheets to determine what, if any, information contained in the databases/spreadsheets is not available in CAS. Any data identified as unavailable is being evaluated to determine if the data is necessary for reporting the Bureau's Enforcement activities. If it is determined to be critical data, an evaluation is done to determine if EOB needs to request the addition of a CAS Action Code. For example, BAR recently went before DCA's

Change Control Board (CCB) to request the addition of two new CAS codes to reflect Citations and Orders of Abatement that were created as a result of statutory changes in 2010. The change was approved and is already proving effective at identifying these new types of citations. Other CAS changes have been requested and tentatively approved by the CCB. The above activities are being undertaken with the specific goal of discontinuing the use of any databases other than CAS.

2. Mandatory Training

There is inadequate documentation that the Program Representative I's and II's completed all mandatory training.

The BAR manual states, Training Requirements, Section 401.13, "all new Programs Representative I's are to complete the following training curriculum within the first year of service:

- Program Representative I Training
- BAR Laws and Regulations
- Regulatory Investigative Techniques
- Report Writing and Punctuation
- Computer Skills – Microsoft Word/Excel
- Defensive Driving

On an ongoing basis, all Program Representative Is and IIs are to complete the following training courses biennially:

- Court Preparation and Testimony
- Policy and Procedure Update Training
- General Engine Performance and Emissions Update

Without adequate documentation of mandatory training there is no evidence that all Program Representatives I's and II's are adequately trained.

Recommendation:

All mandatory training should be tracked and documented.

BAR Solution:

All training for BAR personnel is coordinated through BAR's Technical Training Unit (TTU). To ensure the accuracy of the database BAR will review the process for documenting training. In addition we will update any missing data by interviewing staff and obtaining copies of any missing training certificates.

3. Inadequate Internal Controls

The Enforcement Manual and the accompanying flowcharts for the citation and citation appeal processes list multiple timeframes for the processing of citations and the citation appeals; however, the timeframes are not followed. For example:

Respondent request an information appeal – 30 days
Appeal report package to executive – 5 days
Informal appeal held within – 60 days
Hearing officer reviews appeal and renders decision – 5 days

According to the BAR Enforcement Manual the processing of citations and citation appeals is to be completed in a prescribed timeframe.

Not enforcing the requirements set forth in the Enforcement Manual delineates a lack of good internal controls over the citation and citation appeals processes.

Recommendation:

Adhere to the timeframes listed in the Enforcement Manual and the accompanying flowcharts or revise the Enforcement Manual and the flowcharts to reflect the actual process.

BAR Solution:

Another component in the creation of the EOB is the reassigning and rebuilding of the processes for managing the Bureau's enforcement cases. All former EPO procedures are being reviewed and modified or discontinued. As part of any modification of procedures all timeframes for the completion of tasks, other than those specifically required by statute or regulation, are being removed. Going forward, EOB will be creating an all new procedures manual (desk manual) and the only timeframes within the manual will be those specifically required by statute or regulation.

cc: Awet Kidanè
Audit Committee