

## **2018-114 AUDIT SCOPE AND OBJECTIVES**

### **Disabled Veteran Business Enterprise Program**

The audit by the California State Auditor will provide independently developed and verified information related to the Disabled Veteran Business Enterprise (DVBE) program. The audit's scope will include, but not be limited to, the following activities:

1. Review and evaluate the laws, rules, and regulations significant to the audit objectives.
2. Determine whether conditions identified in State Auditor Report 2013-115, *Disabled Veteran Business Enterprise Program: Meaningful Performance Standards and Better Guidance by the California Departments of General Services and Veterans Affairs Would Strengthen the Program* (Report 2013-115), persist at the California Department of Veterans Affairs (CalVet), the Department of General Services (General Services), the California Department of Transportation (Caltrans), and the California Department of Corrections and Rehabilitation (Corrections), and determine whether similar conditions exist at two additional entities by performing audit procedures similar to those used to address the scope and objectives for Report 2013-115.
3. Obtain updated data on the DVBE program and report the same demographic information on the program as in Report 2013-115. In addition, to the extent possible, report on the following:
  - a. The percentage of certified DVBEs that bid on state contracts in fiscal year 2017–18.
  - b. The percentage of certified DVBEs that won state contracts in fiscal year 2017–18.
  - c. The total value of contracts awarded to certified DVBEs in fiscal year 2017–18.
  - d. The portion of contracts used to achieve the goals of the DVBE program that come from prime contractors and from subcontractors in fiscal year 2017–18.
  - e. If each of the top 30 DVBEs is certified also as a small business or microbusiness.
  - f. The three-year average gross revenue for each of the top 30 DVBEs.
  - g. The number of employees for each of the top 30 DVBEs.
  - h. The statistical distribution of disability ratings for all DVBEs and for the top 30 DVBEs.
  - i. The statistical distribution of DVBE ownership percentages for all DVBEs, the top 30 DVBEs, prime contractors, and subcontractors.
4. Determine whether DVBE contracts go to a small number of DVBE certified contractors, as noted in Report 2013-115. Determine what actions General Services, CalVet, or participating departments may take to correct this condition.
5. Evaluate the effectiveness of General Services' process for handling complaints and allegations of fraud or waste in the program and for protecting whistleblowers. Also, review the types and resolutions of complaints that General Services receives.

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6. Determine whether departments obtain sufficient assurance regarding the amounts paid to DVBE subcontractors, as noted in Report 2013-115. To the extent possible, determine whether DVBE prime contractors contracting with General Services, CalVet, or other departments use non-DVBE subcontractors and determine to what extent those departments have policies or practices to exclude payments from DVBE prime contractors to non-DVBE subcontractors when calculating whether the departments met the DVBE participation goal. Determine what actions General Services, CalVet, or participating departments may take to monitor and correct this condition.
7. Identify and evaluate the actions General Services took subsequent to Report 2013-115 to correct or prevent issues identified in that audit at departments other than the five reviewed in Report 2013-115.
8. Evaluate the effectiveness of actions taken by General Services, CalVet, Caltrans, and Corrections in response to recommendations from Report 2013-115.
9. Determine whether the program addresses the special needs of specific populations of veterans.
10. Determine whether CalVet has sufficient resources to accomplish statutory responsibilities, especially regarding program outreach and development, and whether the distribution of funding and workload between General Services and CalVet is effective to accomplish program goals.
11. Review and assess any other issues that are significant to the audit.