



# MEMORANDUM

---

**Date:** September 5, 2017

File No.: 7203

**To:** Scott Smithline, Director  
Department of Resources Recycling Recovery  
1001 I Street, 19<sup>th</sup> Floor  
Sacramento, CA 95814

**From:** Department of General Services  
Office of Audit Services

**Subject: AUDIT REPORT: DELEGATED PURCHASING PROGRAM**

This report presents the results of our compliance audit of the California Department of Resources Recycling and Recovery's (CalRecycle) delegated purchasing program. As required by Public Contract Code Section 10333, the Department of General Services (DGS) conducts an audit at least once in each three-year period of each state agency to which purchasing authority has been delegated by the department. Our audit was conducted in accordance with U.S. generally accepted auditing standards.

The objective of our audit was to determine that procurement transactions are being conducted in accordance with the terms and conditions of CalRecycle's purchasing authority delegation agreements with DGS, which include dollar threshold limits for various categories of procurements. The state's delegated purchasing requirements are primarily contained in State Contracting Manual (SCM) Volumes 2 (non-IT) and 3 (IT). As applicable, the scope of our audits of state agencies includes, but is not limited to, compliance with policies governing the conduct of competitive solicitations, use of leveraged procurement agreements, solicitation of certified small businesses (SB) and disabled veteran business enterprises (DVBE), establishment of fair and reasonable pricing for acquisitions of less than \$5,000, use of CAL-Cards to pay for goods and services, and prompt payment of suppliers.

Based on the results of our fieldwork conducted over the period February 21, 2017 through May 15, 2017, we concluded that CalRecycle is conducting its delegated purchasing program in compliance with the terms and conditions of its delegation agreements. CalRecycle's delegated purchasing policies and procedures are sufficient to provide reasonable assurance of compliance with the state's procurement statutes, policies, and procedures.

During our review we identified a number of areas for improvement within CalRecycle's delegated purchasing program. These areas included our concern that policies and procedures were not always ensuring full compliance with SCM provisions governing the: (1) obtaining of a copy of the supplier's sellers permit<sup>1</sup> (SCM 2, 4.B6.3 and SCM 3, 4.B8.6); (2) maintenance in the procurement transaction files of a copy of the cover page and contract pricing page(s) for leveraged procurement agreement transactions<sup>1</sup> (SCM 2 and 3, 6.A4.1); and, (3) verification of certification status for transactions prior to the award of a procurement to a firm identifying itself as a SB and/or DVBE (SCM 2 and 3, 3.2.5).

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

---

<sup>1</sup> These are reoccurring findings noted on the prior Purchasing Authority audit.

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 2016/2017 fiscal year. Our transaction tests included the review of 21 delegated procurements.

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 Christine Pham, Management Auditor, at (916) 376-5060.



ANDY WON  
Deputy Director, Office of Audit Services

Staff: Christine Pham

cc: Tom Estes, Deputy Director, Administration, Finance & Information Technology Services  
Tiffany Donohue, Chief, Administrative Services Branch  
Gary Arstein-Kerslake, Chief, Information Technology Services Branch  
Sarah Keck, Chief, Fiscal Services Branch  
Purchasing Authority Management Section (PAMS), Procurement Division, DGS