



MEMORANDUM

Date: September 25, 2017

File No.: 7201

To: Nancy Bargmann, Director
Department of Developmental Services
1609 9th Street, Room 240
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 Department of Developmental Services' (DDS) 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 DDS' 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 October 18, 2016 through February 10, 2017, we concluded that DDS is conducting its delegated purchasing program in compliance with the terms and conditions of its delegation agreements. DDS' 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 DDS' delegated purchasing program. These areas included our concern that policies and procedures were not always ensuring full compliance with SCM provisions governing the: (1) maintenance of solicitation documents that included the State's Bidder Instructions and General Provisions in all competitive solicitations (SCM 2, 4.B6.0 and 4.B6.1 and SCM 3, 4.B8.0 and 4.B8.1); (2) adequate and comparable bids for Non-IT and IT transactions over \$5,000¹ (SCM 2 and 3, 4.D2.1); (3) obtaining of bidder declaration forms from SB/DVBEs that assist in verifying the performance of a commercially useful function¹ (SCM 2, 3.5.7 and 3, 3.4.7); (4) implementing of processes to ensure accounting signatures are on purchasing documents verifying the availability and encumbrance of funds (SCM 2, 8.2.3 and SCM 3, 8.3.3); (5) maintenance of information on the waiver of the DVBE requirement within the bidder solicitation (SCM 2 and 3, 3.3.2); (6) obtaining SB/DVBEs certifications to ensure status prior to contract award

¹ These are reoccurring findings noted on the prior Purchasing Authority audit.

(SCM 2 and 3, 3.2.5). Further, we noted CAL-Card transactions lacked fair and reasonable documentation for purchases under \$5,000 (SCM 2 and 3, 4.C1.0).

Prior to the completion of our audit, we verified that appropriate actions had been or were being taken to address the above issues. However, we did not perform effectiveness tests to determine whether the corrective actions were functioning as intended. DDS' 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 2015/2016 fiscal year. Our transaction tests included the review of 65 delegated procurements.

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

If you need further information or assistance on this report, please contact me at (916) 376-5058, or Amalia Sanchez, Management Auditor, at (916) 376-5016.



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