



MEMORANDUM

Date: April 2, 2012

File No. 1171

To: Robert Oglesby, Executive Director
California Energy Commission
1516 9th Street
Sacramento, CA 95814

From: Department of General Services
Office of Audit Services

Subject: AUDIT REPORT: CONTRACTING PROGRAM

This report presents the results of our audit of the California Energy Commission's (Commission) contracting program. On October 6, 2008, the Director of the Department of General Services (DGS) signed Exemption Letter No. 60.04 which granted the Commission's request to process contracts without DGS review and approval. In brief, subject to a number of limitations, the exemption allows various types of contracts under \$75,000 to be processed without DGS review and approval during the four-year period of October 1, 2008 through September 30, 2012. As a condition of the exemption, two audits are required to be performed of the Commission's contracting program during the four-year exemption period. Based on the Commission's request, the DGS Office of Audit Services agreed to conduct the first audit required under the terms of the exemption.

The objective of our audit was to determine compliance with the terms and conditions of Exemption Letter No. 60.04. In general, the exemption requires that the Commission maintain an adequate and effective system of internal control over contracting and that the system be sufficient to ensure compliance with the State's contracting laws, policies, and procedures. Our audit was conducted in accordance with U.S. generally accepted auditing standards.

Based on the results of our fieldwork conducted over the period January 11, 2011 through April 13, 2011 and limited follow-up work performed in March 2012, we concluded that the Commission is conducting its contracting program in compliance with the terms and conditions of its exemption. The Commission's contracting policies and procedures are sufficient to provide reasonable assurance of compliance with the State's contracting laws, policies, and procedures.

To determine compliance, we reviewed policies and procedures, tested a sample of contracts awarded during the 2009/10 and 2010/11 fiscal years, interviewed parties involved and performed other tests as deemed necessary.

We greatly appreciated the cooperation and assistance provided by the Commission'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.

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