



# MEMORANDUM

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**Date:** May 2, 2017

File No. 6207

**To:** Vito Imbasciani MD, Secretary  
California Department of Veterans Affairs  
1227 O Street  
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 Veterans Affairs' (CalVet) 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 CalVet'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 March 2, 2016 through May 31, 2016, we concluded that CalVet is conducting its delegated purchasing program in compliance with the terms and conditions of its delegation agreements. CalVet'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 CalVet'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) maintenance of information on the waiver of the DVBE participation requirement<sup>1</sup> within the bidder solicitation (SCM 2, 3.3.2); (2) obtaining of bidder declaration forms<sup>1</sup> from SB/DVBEs that assist in verifying the performance of a commercially useful function (SCM 2, 3.5.7 and 3.2.6); (3) maintenance in the procurement transaction files of copies of the contract cover page and pricing page(s) for leveraged procurement agreement transactions<sup>1</sup> (SCM 2 and 3, 6.A4.1); (4) 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); (5) maintenance of complete documentation for a small business option solicitation, including the certification status of

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

businesses involved in the solicitation (SCM 2, 4.B5.3); and, (6) 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).

We are pleased with the prompt actions taken by CalVet to address findings identified during our audit fieldwork. However, we did not perform effectiveness tests to determine whether the corrective actions were functioning as intended. CalVet's 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 2015/16 fiscal year. Our transaction tests included the review of 125 delegated procurements.

We greatly appreciated the cooperation and assistance provided by CalVet's 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.



ANDY WON  
Acting Chief, Office of Audit Services

Staff: Amalia Sanchez  
Rhonda Parker

cc: Sherri Gustinell, Deputy Secretary  
Dave Gerard, Assistant Deputy Secretary  
Lisa Senitte, CEA, Information Service  
Ramon Carlos, SSM III, Office of Procurement and Contracts  
Andra Pechal, SSM I, Office of Procurement and Contracts