



MEMORANDUM

Date: October 10, 2018

File No.: 8202

To: David Bunn, Director
Department of Conservation
801 K 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 Department of Conservation's (DOC) 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 DOC'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), 3 (IT) and F (FI\$Cal). 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 13, 2018 through July 12, 2018, we concluded that DOC is conducting its delegated purchasing program in compliance with the terms and conditions of its delegation agreements. DOC'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 DOC'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) correct procurement method (SCM 2, 8.4.3); (2) seller's permit (SCM 2, 4.B6.3); (3) DVBE Program Requirements or Waiver (SCM 2, 4.B2.5); (4) verifying certification status (SCM 2, 3.2.5); (5) processing non-IT services as non-IT goods (SCM F, 2.B2.3); (6) processing an amendment in lieu of an NCB (SCM 2, 5.3.0); (7) maintaining complete copies of the Leverage Procurement Agreements (LPAs) (SCM 2, 6.A1.9 & A4.2); and (8) processing LPAs not in accordance with the terms and conditions of the LPAs (SCM 2, 6.A1.9).

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 2017/2018 fiscal year. Our transaction tests included the review of 23 delegated procurements.

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

If you need further information or assistance on this report, please contact me at (916) 376-5054, or Amalia Sanchez, Management Auditor, at (916) 376-5016.

A handwritten signature in blue ink, appearing to read "Olivia M. Haug". The signature is fluid and cursive, with the first name "Olivia" being the most prominent part.

OLIVIA M. HAUG
Manager, Office of Audit Services

Staff: Amalia Sanchez

cc: Clayton Haas, Director, Administration
Melody Williamson, Business Services Officer
Judy Morita-Joe, Accounting Officer
Lynn Weydert, IT Procurement Manager
Purchasing Authority Management Section (PAMS), Procurement Division, DGS