



MEMORANDUM

Date: March 1, 2019

File No.: 9200

To: Angela Avery, Executive Officer
Sierra Nevada Conservancy
11521 Blocker Dr., Ste. 205
Auburn, CA 95603

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 Sierra Nevada Conservancy's (SNC) 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 SNC'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 \$10,000, 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 July 17, 2018 through November 14, 2018, we concluded that SNC is adequately conducting its delegated purchasing program in compliance with the terms and conditions of its delegation agreements.

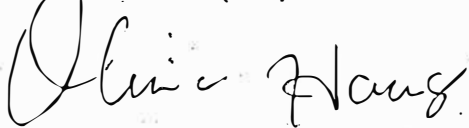
However, during our review we identified four areas for improvement within SNC's delegated purchasing program. These areas included our concern that policies and procedures were not always ensuring full compliance with SCM F provisions governing the: (1) documentation of Fair and Reasonable (F&R) justification or a second bid in the procurement file (SCM F, 4.A1.0 – 4.A1.1, 6.5.5, 6.9.0 - 6.9.1); (2) documentation of a bidder declaration form and commercial useful function (CUF) evaluation for a SB or DVBE (SCM F, 3.A4.7, 3.A2.6 - 3.A2.7, SCM F's CUF Evaluation and Determination Worksheet); (3) inclusion of the bidder instructions in the bid solicitations for IT procurements (SCM F, 4.B3.0); and, (4) obtaining of DGS/Procurement Division's assistance when buying an IT subscription service that requires accepting the supplier's licensing agreement and when securing an interagency agreement that exceeds the department's delegation authority (SCM F, 6.7.2 – 6.7.3, 1.A2.3).

Further, we also identified an area for improvement within purchases placed with the CAL-Card. To ensure full compliance with SCM F, the SNC should maintain sufficient separation of duties by ensuring CAL-Card purchases are approved by an individual other than one who directly reports to the cardholder (SCM F, 9.B1.1).

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 2017/18 fiscal year. Our transaction tests included the review of 16 delegated procurements.

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

If you need further information or assistance on this report, please contact me at (916) 376-5054, or Christine Pham at (916) 376-5060.



OLIVIA HAUG
Manager, Office of Audit Services

Staff: Christine Pham
Le Han

cc: Amy Lussier, Chief, Administrative Services Division
Amanda Grant, Administrative Officer
Purchasing Authority Management Section (PAMS), Procurement Division, DGS