

Date: February 20, 2020

File No.: 9211

To: Jeffrey N. Rudolph, President and CEO
California Science Center
700 Exposition Park Drive
Los Angeles, CA 90037

From: Department of General Services
Office of Audit Services

Subject: AUDIT REPORT: DELEGATED PURCHASING PROGRAM

Attached is the final report on our compliance audit of the California Science Center's (CSC) delegated purchasing program. The objective of our audit was to determine that procurement transactions are being conducted in accordance with the terms and conditions of CSC's purchasing authority delegation agreements with the Department of General Services (DGS), which include dollar threshold limits for various categories of procurements.

CSC's written response to our draft report is included in this final report. The report also includes our evaluation of the response. We are pleased with the actions taken or proposed and commitments made to address our recommendations.

As part of its operating responsibilities, the Office of Audit Services is responsible for following up on audit recommendations. Therefore, please submit a status report on the implementation of each to us by August 31, 2020.

The necessity of any further status reports will be determined at that time. Please transmit your status report to: DGS – Office of Audit Services, 707 3rd Street, 8th Floor, West Sacramento, CA 95605.

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

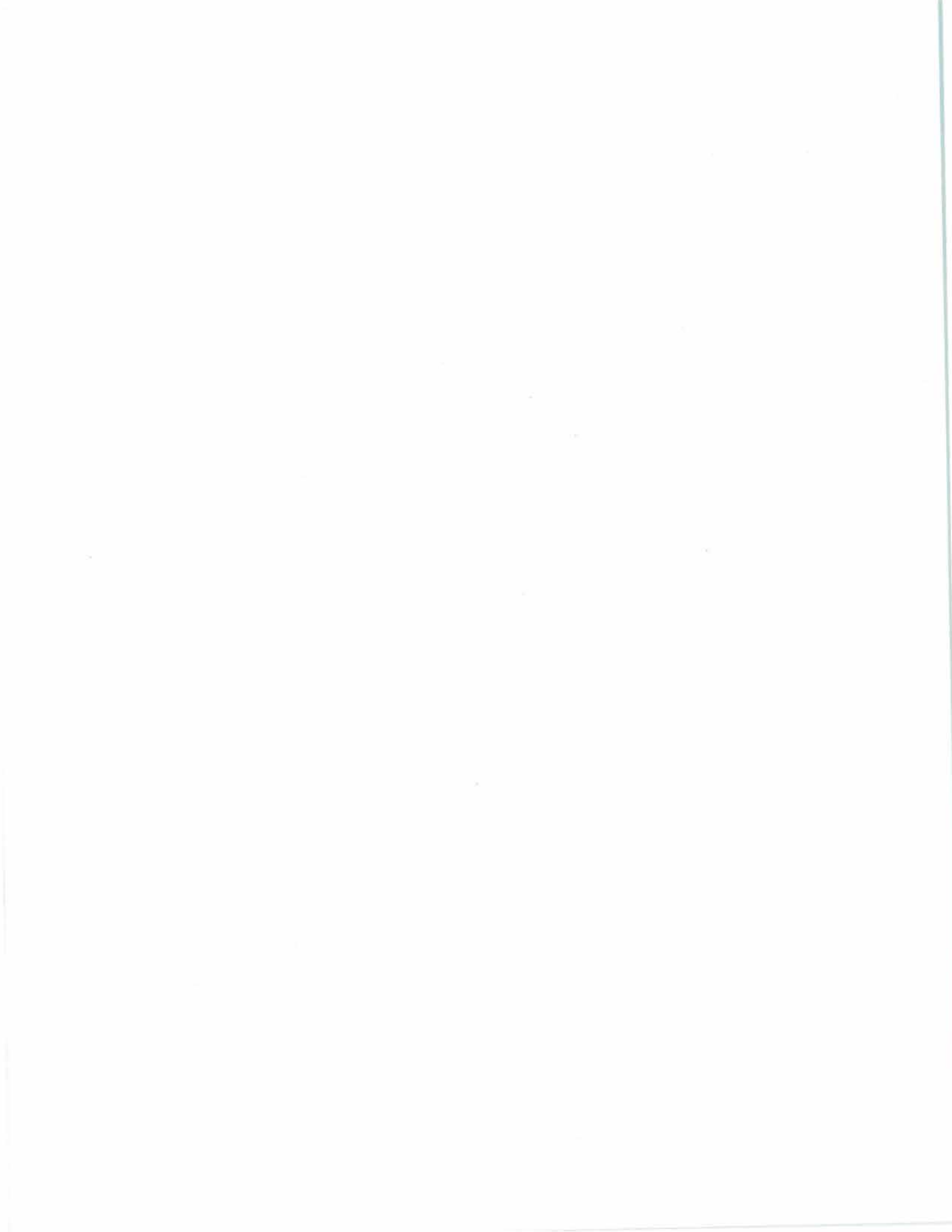
If you have any questions, please call me at (916) 376-5054, or Christine Pham, Management Auditor, at (916) 376-5060.



OLIVIA HAUG
Manager, Office of Audit Services

Attachment

cc: Patricia Marquez, Deputy Director, Administrative Services, CSC
Purchasing Authority Management Section (PAMS), Procurement Division, DGS



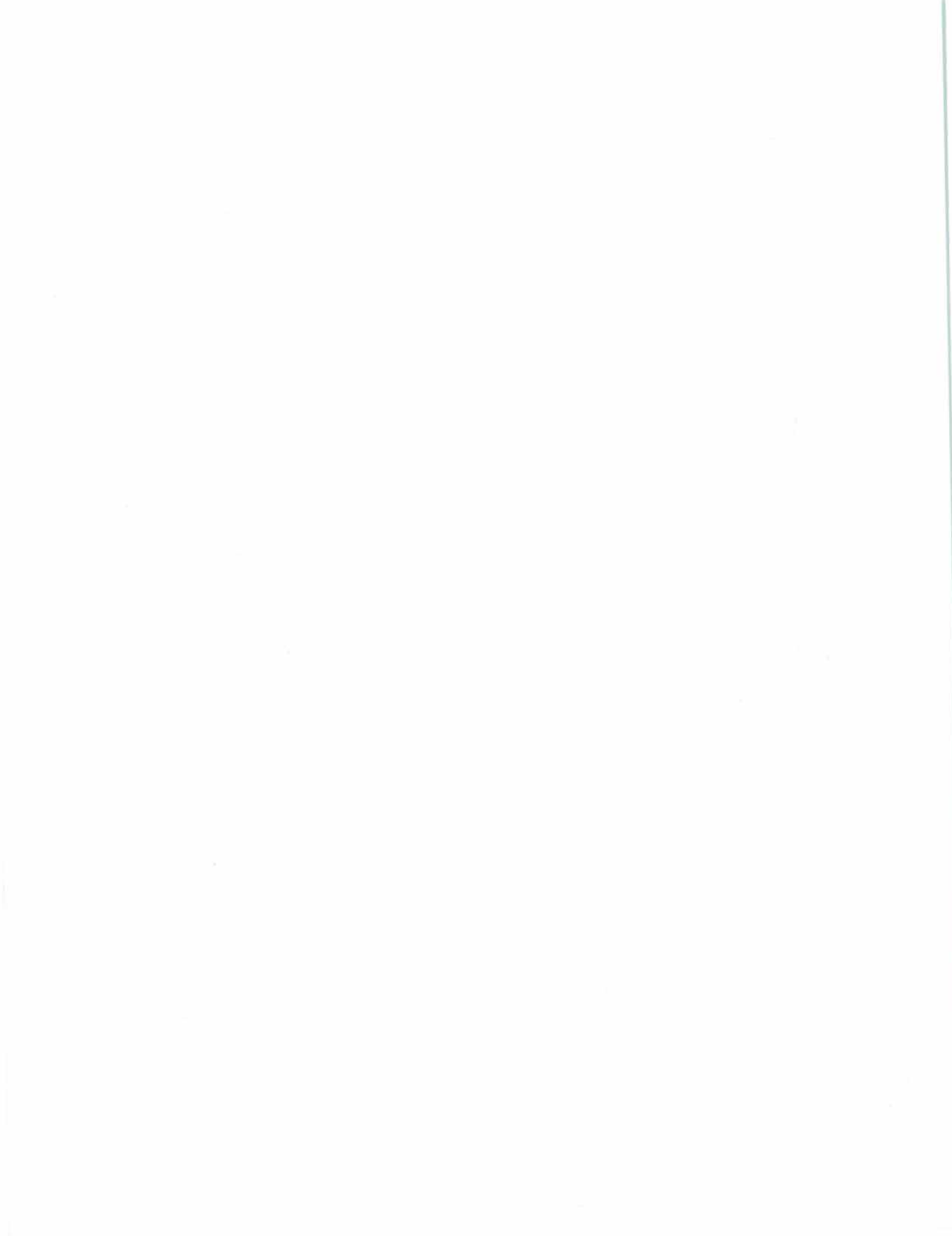
**GOVERNMENT OPERATIONS AGENCY
DEPARTMENT OF GENERAL SERVICES**

**AUDIT OF THE
CALIFORNIA SCIENCE CENTER
(CSC)**

**FOR COMPLIANCE WITH STATE
DELEGATED PURCHASING PROGRAM
REPORT NO. 9211**

OFFICE OF AUDIT SERVICES

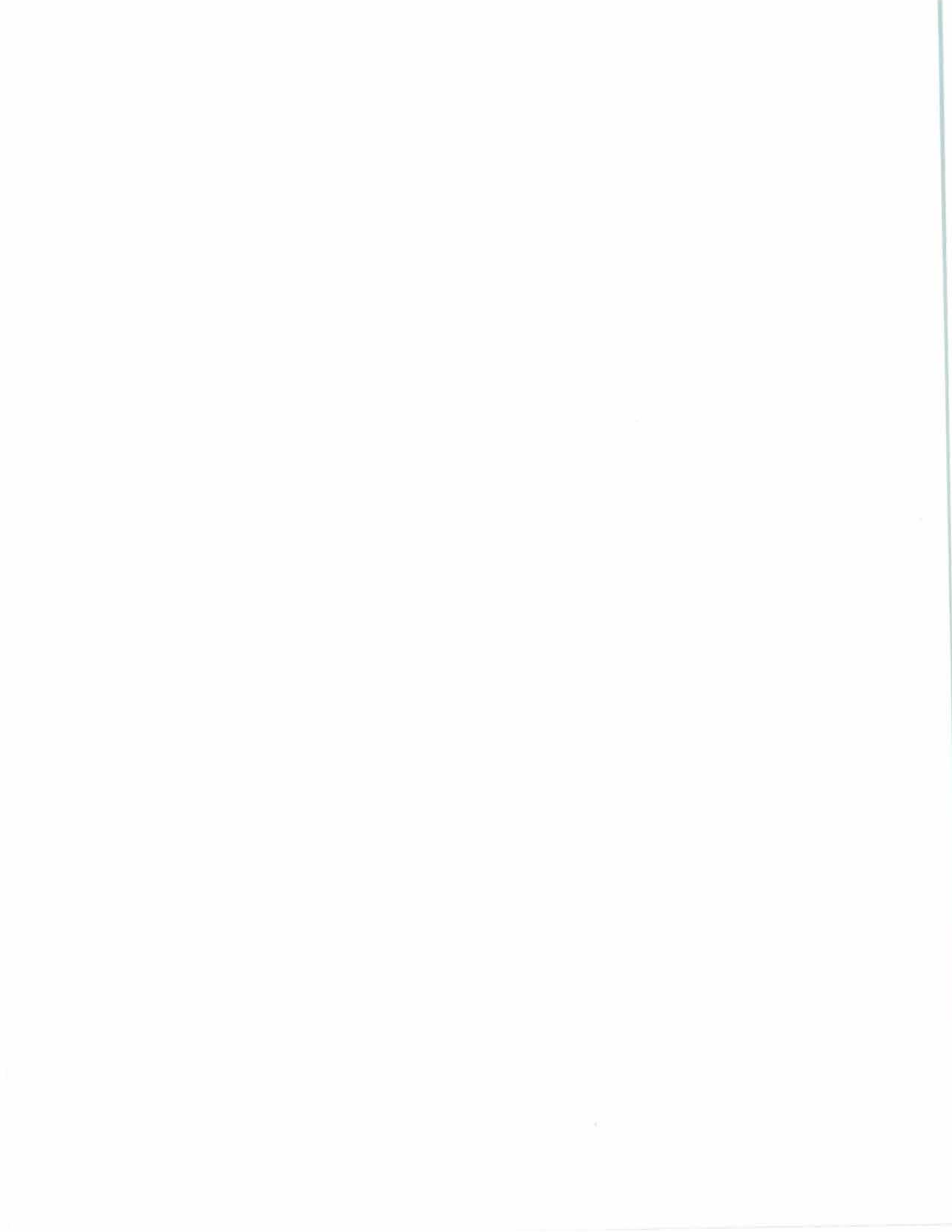
NOVEMBER 2019



**CALIFORNIA SCIENCE CENTER
DELEGATED PURCHASING PROGRAM AUDIT
REPORT NO. 9211**

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STATE OF CALIFORNIA
DEPARTMENT OF GENERAL SERVICES
AUDITOR'S REPORT

DATE: February 20, 2020

TO: **Jeffrey N. Rudolph**, President and CEO
California Science Center

This report presents the results of our compliance audit of the delegated purchasing program of the California Science Center (CSC). 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. The objective of our audit was to determine that procurement transactions are being conducted in accordance with the terms and conditions of CSC's purchasing authority delegation agreements with DGS, which include dollar threshold limits for various categories of procurements. 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. Our audit was conducted in accordance with U.S. generally accepted auditing standards.

Overall, we concluded that CSC is conducting its delegated purchasing program in compliance with the terms and conditions of its delegation agreement. However, as discussed under the Findings and Recommendations section of this report, we identified a number of areas for improvement that need to be addressed to fully comply with purchasing requirements. The implementation of the recommendations presented in this report will assist CSC in addressing these issues.

During our review we also identified other matters requiring attention, but did not pose a significant risk to the business management functions, which were discussed with CSC's management and are not further detailed in this report.

It should be noted that when advised of areas for improvement during our audit fieldwork, CSC's management promptly took action to address our concerns. We were pleased with the commitment shown to improve compliance with state requirements. However, we did not perform effectiveness tests to determine whether the corrective actions were functioning as intended. CSC'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.

Your response to our recommendations as well as our evaluation of the response are included in this report.

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

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



OLIVIA HAUG
Manager, Office of Audit Services

Staff: Christine Pham, Management Auditor

cc: Patricia Marquez, Deputy Director, Administrative Services, CSC
Purchasing Authority Management Section (PAMS), Procurement Division, DGS

CALIFORNIA SCIENCE CENTER

DELEGATED PURCHASING PROGRAM AUDIT

FINDINGS AND RECOMMENDATIONS

The following presents our detailed findings and recommendations developed based on our compliance audit of CSC's delegated purchasing program. The state's delegated purchasing requirements are primarily contained in State Contracting Manual (SCM) Volumes 2 (Non-IT), 3 (IT), and F (FI\$Cal).

This information was developed based on our fieldwork conducted over the period of June 20, 2019 through November 15, 2019. 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 2018-19 fiscal year. Our transaction tests included the review of 26 delegated non-IT and IT procurements, including 6 leveraged procurement agreement transactions.

DELEGATED PURCHASING PROGRAM

Overall, we concluded that CSC has implemented a delegated purchasing program that ensures compliance with the state's primary procurement requirements, including those governing the obtaining of bids from multiple suppliers. However, our tests disclosed a number of areas for improvement that need to be addressed to fully comply with purchasing requirements.

It should be noted that though the frequency of occurrence is low in some cases for some types of noncompliance instances, when combined, the numerous instances indicate a weakness in the procurement program that warrants addressing. Since the instances of noncompliance were discussed with responsible management and staff during our audit fieldwork, they are not detailed in this report. However, the types of exceptions noted with transactions performed by CSC staff involved procurement transactions files that did not always include:

- Delegated purchasing authority number on the purchase order (SCM F, Ch. 5— Overview-Introduction and LPA User Instructions—Contract Usage Rules)
- Commercially Useful Function (CUF) evaluation and determination documented in the file for a SB/DVBE supplier (SCM F, 3.A2.6 - 3.A2.8)
- Bidder Declaration—Form GSPD-05-105/05-106 documented in the file and the correct version of this form is used (SCM F, 3.A4.7)
- Statement of work (SOW) documented in the file when the acquisition involved a purchase of both goods and services (SCM F, 2.B8.0 - 2.B8.1)

- Written solicitation for a NCB transaction or a transaction where the monetary amount exceeded \$50,000 (SCM F, 6.7.0 - 6.7.2, 4.D1.2)
- Copy of the script for verbal solicitations (SCM F, 4.D1.1)
- Current and valid seller's permits (SCM F, 4.B3.3)
- LPA price sheet clearly showing that the items being purchased and the associated prices are indeed offered by the LPA (SCM F, 5.A1.0, 5.A1.5, 5.G1.1)
- The supplier's price quote that matches the PO for the quantity being purchased (SCM F, 4.A1.0 - 4.A1.1, 6.9.2)
- The bid worksheet accurately reflecting the bids obtained and bids are comparable between suppliers (SCM F, 4.D6.0)
- DVBE program requirements for competitive solicitations (SCM F, 3.A3.1, 3.A4.4)
- Written solicitations for procurements for IT services that exceeded \$4,999.99 (SCM F, 4.D1.2, 6.7.0 - 6.7.1)

In addition, we noted that CSC's policies and procedures did not sufficiently ensure that invoices paid were legitimate. Our test disclosed one invoice in the amount of \$2,091.84 that CSC paid on behalf of the Office of Exposition Park Management (OEPM) for automotive maintenance service that was not provided to the OEPM, but was addressed to another entity unrelated to CSC or OEPM. It should be noted that when informed of this invoice, management promptly researched and took action to recover the lost funds. (SAM Section 8422.1, CSC State Procurement Policies and Procedures Manual Section 9.3).

RECOMMENDATIONS

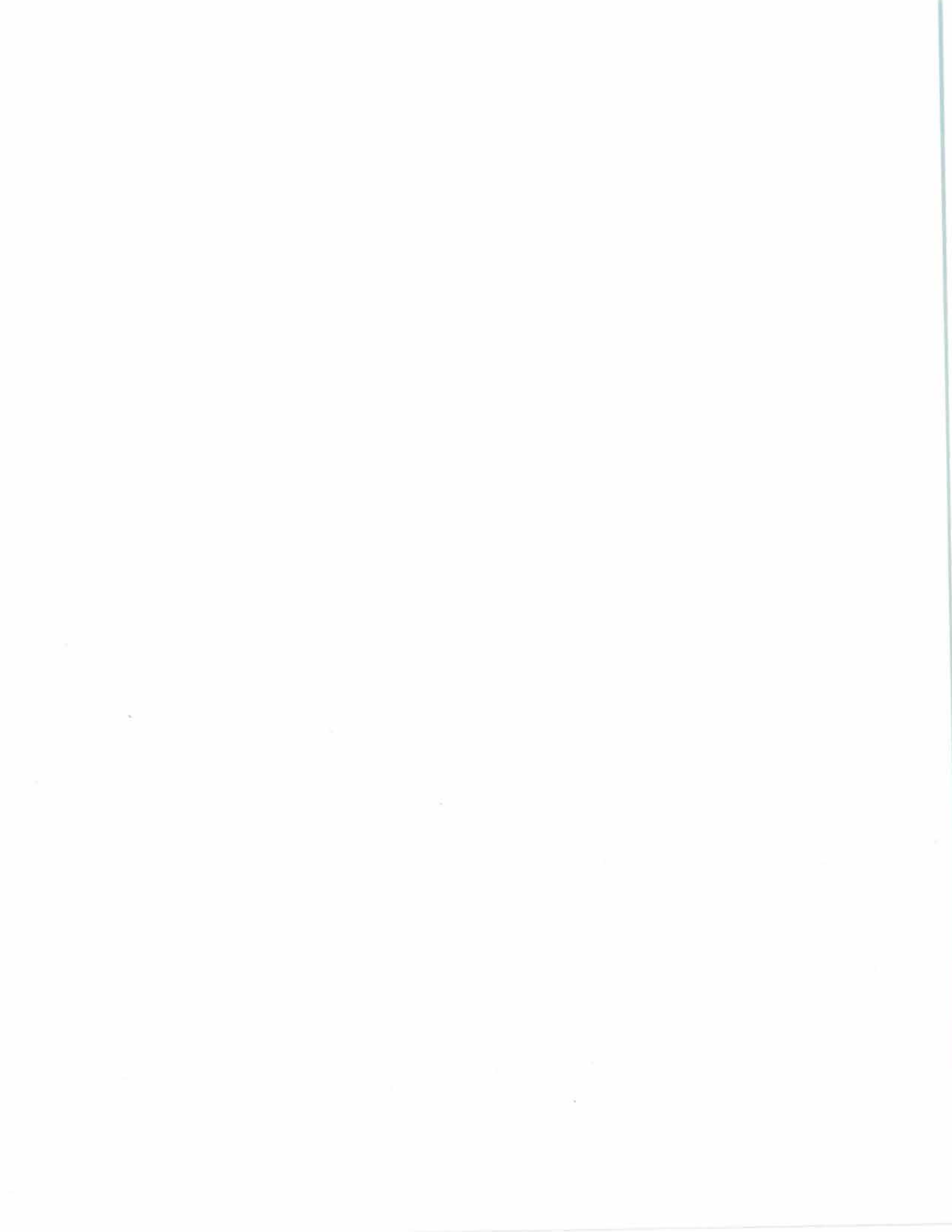
Strengthen existing policies and procedures over CSC's delegated purchasing program that includes the following areas:

1. Purchasing authority number is referenced on all purchase orders
2. CUF is evaluated and included in the procurement file
3. Bidder Declaration form is retained in the procurement file and that the correct version of the form is used
4. SOW is included in the procurement file when required
5. Verbal solicitation is used only when appropriate (i.e., not used for NCB transactions and when a transaction exceeds \$50,000)
6. Copy of the telephone script is included in the procurement file when required
7. Seller's permit is included in the procurement file and is valid
8. LPA purchases are supported by the price sheet or a printout from the contractor's site showing the item being purchased is indeed offered by the LPA and at or below the contract price
9. The purchase order matches the bid obtained and in the event there is a change in the quantity purchased, obtain updated bids from all suppliers involved
10. Bids are comparable among all suppliers and that the bid worksheet accurately reflects the information that all bidders submitted

11. DVBE program requirements are included in competitive solicitations
12. Written solicitation is used when a procurement for IT services exceeds \$4,999.99
13. Invoices and receipts are reviewed for validity and legitimacy before paying

CONCLUSION

Our findings and recommendations are presented to aid CSC in administering its delegated purchasing program. CSC should address the reported issues to assist in ensuring compliance with applicable state laws, policies and procedures.



California Science Center

700 Exposition Park Drive, Los Angeles, CA 90037
State Administrative Services Department
www.californiasciencecenter.org

February 10, 2020

Ms. Olivia Haug
DGS, Office of Audit Services
707 3rd Street, 8th Floor
West Sacramento, CA 95605

Dear Ms. Haug:

The California Science Center (Science Center) has reviewed the draft report of the Department of General Services, Office of Audit Services (DGS, OAS) compliance audit review of the Science Center dated January 22, 2020. We are pleased that the DGS, OAS review overall concluded that the Science Center is conducting its delegated purchasing program in compliance with the terms and conditions of its delegation agreement. We appreciate the time and effort the DGS, OAS Auditor has taken to communicate with Science Center management and staff during the audit as it helps further improve our department's procurement program.

In reviewing the report, it is important to recognize that the Science Center underwent an accreditation process conducted by the Department of General Services, Purchasing Authority Unit (DGS, PAU) in October 2017. The accreditation concluded on December 14, 2017, however it warranted a complete revamp of the Science Center's Procurement Policies and Procedures Manual. A draft of the new manual was submitted to DGS, PAU in February 2019 and it was approved in August 2019.

Upon approval of the revamped California Science Center Procurement Policies and Procedures Manual by DGS, PAU it was released to Science Center staff on August 19, 2019. Revised job aides, guidelines, forms, and templates were released to accompany updates to the new procurement manual.

As part of the new procurement manual rollout, the Science Center also launched a new procurement training plan on September 4, 2019. The plan includes fifteen (15) in-house trainings in addition to classes offered by the California Procurement and Contracting Academy (Cal PCA) and the Financial Information System for California (FI\$Cal). The in-house trainings are developed by Science Center Contract and Procurement Analysts with a goal of developing internal workshops that provide clarity to state procurement policies and processes, while reducing errors, processing times, and inaccuracies.

In summary, there was a transitional period in the Science Center's procurement process as a result of the DGS, PAU accreditation process, and several of the corrective actions that the Science Center planned to implement did not ensue until the new procurement manual was released in August 2019. Because of this, test samples that the DGS, OAS Auditor reviewed did not reflect the Science Center's current purchasing practices.



RESPONSES TO THE RECOMMENDATIONS TO THE CALIFORNIA SCIENCE CENTER

The following responses address the recommendations by DGS, OAS.

RECOMMENDATION # 1: PAU number is referenced on all purchase orders.

SCIENCE CENTER RESPONSE # 1:

On 9/30/2019, buyers were notified to reference the Science Center's purchasing authority number on every FI\$Cal Purchase Order and Procurement Contract. In addition, the Science Center submitted a request to FI\$Cal Service Center to update all the standard FI\$Cal comments for standard languages to include the Science Center's purchasing authority number. Doing so ensures that the purchasing authority number is always referenced along with the appropriate standard languages.

RECOMMENDATION # 2: CUF is evaluated and included in the procurement file.

SCIENCE CENTER RESPONSE # 2:

Immediately after the approved California Science Center Procurement Policy and Procedures Manual was released, procurement staff were trained on changes made to the Science Center's procurement process. The training included the CUF evaluation and documentation requirement for each participating SB/DVBE supplier when conducting competitive solicitations. Three (3) sessions of the Procurement Updates Training were provided on 9/4/2019, 9/5/2019, and 9/12/2019.

RECOMMENDATION # 3: Bidder Declaration form is retained in the procurement file and that the correct version of the form is used.

SCIENCE CENTER RESPONSE # 3:

Although currently maintained in the procurement file, additional measures were taken to ascertain that the correct version of the Bidder Declaration form is used. First, procurement staff were reminded during the Procurement Updates Training on 9/12/19 to use the correct version of the form. Second, the Procurement Analyst Review Checklist was revised to ensure verification. Lastly, the forms in the Science Center's public drive were renamed so form names and versions are easily discernible.

RECOMMENDATION # 4: Statement of work is included in the procurement file when required.

SCIENCE CENTER RESPONSE # 4:

The Buyer Checklist and Procurement Analyst Review Checklist were updated to include a checkbox for statement of work. In addition, a Statement of Work Training will be provided to appropriate procurement staff in April 2020.

RECOMMENDATION # 5: Verbal solicitation is used only when appropriate (i.e., not used for NCB transactions and when a transaction exceeds \$50,000).

SCIENCE CENTER RESPONSE # 5:

Procurement staff were trained on the appropriate use of verbal solicitation during the Solicitation Format Training on 9/24/19 and 9/26/19. The training included the different solicitation methods, their use according to procurement type, and dollar thresholds.

RECOMMENDATION # 6: Copy of the script is included in the procurement file when required.

SCIENCE CENTER RESPONSE # 6:

Historically, the Science Center did not require procurement staff to include a script in the procurement file for acquisitions using the Fair and Reasonable (F&R) method because, according to the Student Resource Packet from CalPCA, F&R purchases do not require any type of solicitation. However, the Science Center made it a requirement to ensure standardized solicitations, consistency, fair competition, and that suppliers are aware of the bidder instructions and terms and conditions of the State. This was implemented shortly after the Procurement Updates Training concluded on 9/12/19.

RECOMMENDATION # 7: Seller's permit is included in the procurement file and is valid.

SCIENCE CENTER RESPONSE # 7:

The Science Center will continue to verify and document seller's permits in the procurement file. As an added measure, the Procurement Analyst Review Checklist was revised to include a checkbox to verify that the seller's permit is valid and documented.

RECOMMENDATION # 8: LPA purchases are supported by the price sheet or a printout from the contractor's site showing the item being purchased is indeed offered by the LPA and at or below the contract price.

SCIENCE CENTER RESPONSE # 8:

As part of the department's procurement training plan, a Leveraged Procurement Agreement Training was conducted on 11/14/19 and 11/19/19. During the training, procurement staff were informed about the requirement of verifying and documenting that items purchased are contract items, and that prices are at or below the contract price. Procurement staff were instructed to attach the contract price list and highlight items that will be purchased; however, if the items are available through the contract but are not included in the contract price list, procurement staff are required to attach a printout of the cart from the contractor's site.

RECOMMENDATION # 9: The PO matches the bid obtained and in the event there is a change in the quantity purchased, obtain updated bids from all suppliers involved.

SCIENCE CENTER RESPONSE # 9:

The Science Center will remind buyers to obtain updated quotes or offers when there is a significant change that might affect pricing to ensure that all suppliers have a fair chance to provide quotes or offers based on new requirements.

RECOMMENDATION # 10: Bids are comparable among all the suppliers and that the bid worksheet accurately reflects the information that all bidders submitted.

SCIENCE CENTER RESPONSE # 10:

The Procurement Analyst Review Checklist was revised to ensure comparable quotes are evaluated. In addition, the email templates will be revised to require suppliers to submit their responses using the Science Center's cost sheet. Doing so will eliminate deviation from the requirements set by the department.

RECOMMENDATION # 11: DVBE program requirements are included in competitive solicitations.

SCIENCE CENTER RESPONSE # 11:

This was also included in the Solicitation Format Training on 9/24/19 and 9/26/19. During the training, staff were informed that the Request for Quote (RFQ) solicitation format must be used for informal competitive solicitations. The Science Center's RFQ template provides detailed instructions to procurement staff and includes all the required languages for competitive solicitations. Doing so ensures that all solicitation requirements are met, including the DVBE program requirements.

RECOMMENDATION # 12: Written solicitation is used when a procurement for IT services exceeded \$4,999.99.

SCIENCE CENTER RESPONSE # 12:

This finding was addressed during the Solicitation Format Trainings conducted on 9/24/19 and 9/26/19. The objective of the training was to educate procurement staff about the different solicitation formats, their use relative to procurement type, and dollar thresholds. In addition, the training included the State's various standard languages and when they should be applied.

RECOMMENDATION # 13: Invoices and receipts are reviewed for validity and legitimacy before paying.

SCIENCE CENTER RESPONSE # 13:

The Office of Exposition Park Management (OEPM) is a secondary department under the Science Center's purchasing authority. OEPM Management staff review and approve all OEPM invoices for validity and legitimacy prior to forwarding to Science Center Accounting Staff for processing. Science Center accounting staff review all Science Center and OEPM invoices prior to processing payments.

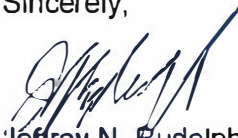
The Science Center management staff immediately took action and discussed with OEPM management staff to remind them of existing policies and procedures pertaining to invoices, specifically reviewing and certifying invoices for accuracy on validity prior to approval and payment. In addition, Science Center accounting staff and supervisor were reminded of the requirement of reviewing all invoices for accuracy and validity. Training on reviewing and submitting accurate invoices, and disputing discrepancies will also be provided during the Contract Management Training scheduled in May 2020.

CONCLUSION

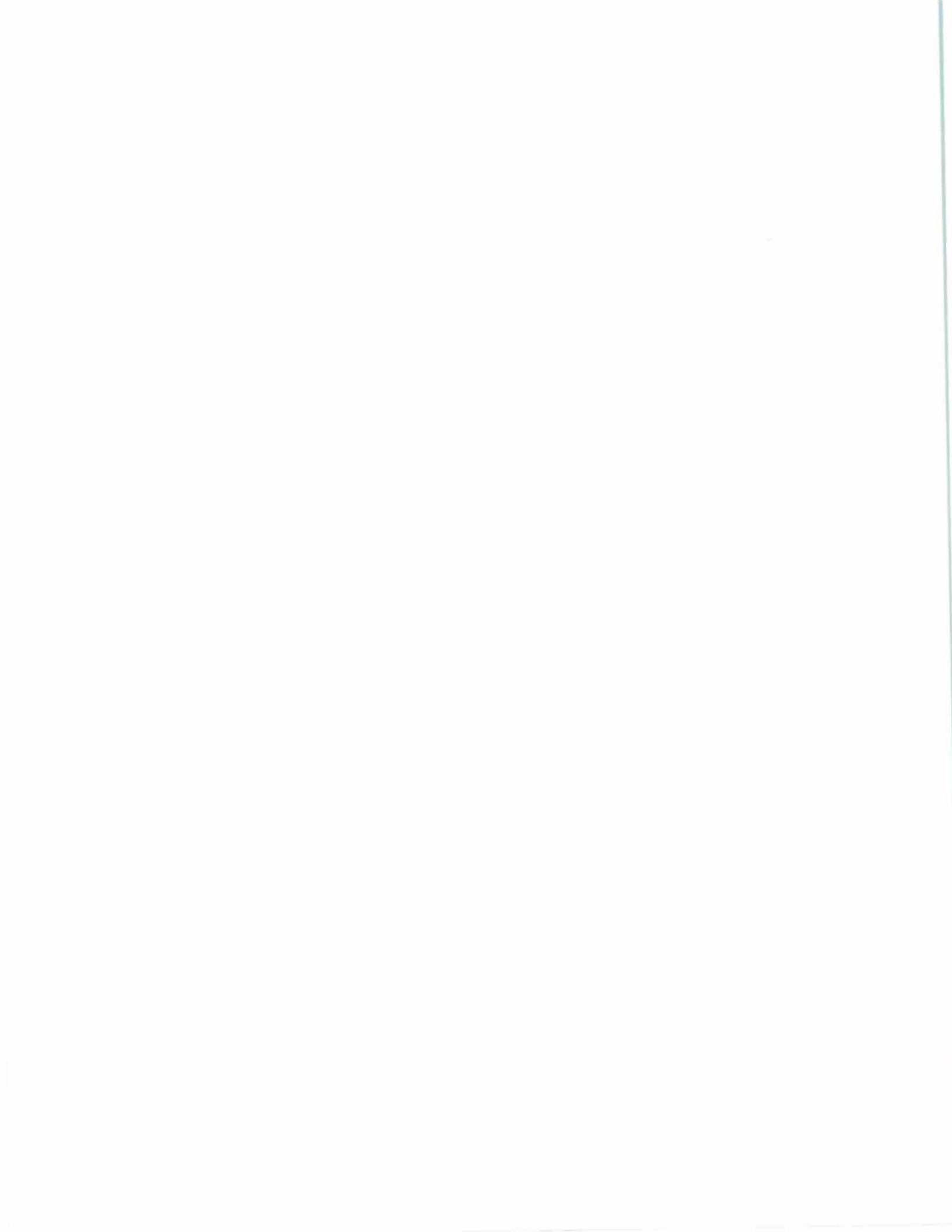
The Science Center has a firm commitment to conduct its delegated purchasing program in compliance with the terms and conditions of its delegation agreement. The Science Center will continue to take appropriate actions to monitor procurement policies and processes to ensure the department is in compliance.

If you have any questions or require additional information, please contact me at jrudolp@californiasciencecenter.ca.gov or Patricia Marquez, Deputy Director of Administration at pmarquez@californiasciencecenter.ca.gov.

Sincerely,



Jeffrey N. Rudolph
President and CEO
California Science Center



**CALIFORNIA SCIENCE CENTER
(CSC)**

EVALUATION OF CSC'S RESPONSE

We have reviewed the response by the California Science Center (CSC) to our draft report. The response to the recommendations is satisfactory. We appreciate the efforts taken or being taken by CSC to improve its delegated purchasing functions.

As a part of our operating duties, we are responsible for following up on audit recommendations and will require a six-month status report on the implementation of those recommendations that have not been fully implemented. To the extent practical, supporting documentation should include the following documents: updated Buyer Checklist, updated Procurement Analyst Review Checklist, and updated email solicitation templates. In addition, please provide supporting agendas and training materials that were used for training regarding statement of work (SOW), obtaining and evaluating comparable quotes, and obtaining updated quotes or offers when there is a significant change that might affect pricing. Further, please provide copies of notices used to inform staff of the importance of reviewing invoices for validity and accuracy.

