



MEMORANDUM

Date: October 12, 2012

File No. 1203

To: J. Clark Kelso, Receiver
California Correctional Health Care Services
P.O. Box 4038
Sacramento, CA 95812-4038

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 Correctional Health Care Services' (CCHCS) 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. At the time of our audit, the CCHCS had two purchasing authority delegations: No. 9G-0911-PHC-HQ1 governing non-information technology purchases and No. 9I-0911-PHC-HQ1 governing information technology (IT) purchases. 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 the CCHCS' purchasing authority delegation agreements with the 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 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 15, 2011 through July 5, 2011, we concluded that the CCHCS is conducting its delegated purchasing program in compliance with the terms and conditions of its delegation agreements. The CCHCS' 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 the CCHCS' delegated purchasing program. These areas included our concern that non-IT goods purchasing policies and procedures were not always ensuring full compliance with SCM provisions governing the: (1) maintenance of information on the waiver of the DVBE requirement within the bidder solicitation (SCM 2, 3.3.2); (2) referencing of the State's Bidder Instructions and General Provisions in all competitive solicitations (SCM 2, 4.B6.0 and 4.B6.1); and, (3) obtaining of bidder declaration forms from small businesses and DVBEs which assist in verifying the performance of a commercially useful function (SCM 2, 3.2.6).

Prior to the completion of our audit, we verified that appropriate actions had been or were being taken to address the above issues. Therefore, they are not further discussed in this report. We

were pleased with the prompt actions taken by the CCHCS to address findings identified during our audit fieldwork.

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 2010/11 fiscal year. Our transaction tests included the review of 119 delegated procurements.

We greatly appreciated the cooperation and assistance provided by the CCHCS' 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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Chief, Office of Audit Services

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