



# MEMORANDUM

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**Date:** February 24, 2023 File No.: 3201

**To:** Susan DeMarois, Director  
California Department of Aging  
2880 Gateway Oaks Drive, Suite 200  
Sacramento, CA 95833

**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 Department of Aging's (CDA) 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 CDA's purchasing authority delegation agreements with the Department of General Services (DGS), which include dollar threshold limits for various categories of procurements.

CDA'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 on your department's official letterhead a status report on the implementation of each recommendation to us by August 24, 2023.

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 CDA's personnel.

If you have any questions, please call me at (916) 376-5054, or Melissa Hambridge, Management Auditor, at (279) 799-3748.

*Olivia Haug*

OLIVIA HAUG  
Manager, Office of Audit Services

Attachment

cc: Nate Gillen, Chief, Business Management Bureau, CDA  
Mark Beckley, Chief Deputy Director, CDA  
Nicole Shimosaka, Deputy Director, Division of Administrative Services, CDA  
Katie Paige, Manager, Procurement and Contracts Unit, CDA  
Purchasing Authority Management Section (PAMS), Procurement Division, DGS

**GOVERNMENT OPERATIONS AGENCY  
DEPARTMENT OF GENERAL SERVICES**

**AUDIT OF THE  
CALIFORNIA DEPARTMENT OF  
AGING**

**FOR COMPLIANCE WITH STATE  
DELEGATED PURCHASING PROGRAM  
REPORT NO. 3201**

**OFFICE OF AUDIT SERVICES**

**FEBRUARY 2023**



**CALIFORNIA DEPARTMENT OF AGING  
DELEGATED PURCHASING PROGRAM AUDIT  
REPORT NO. 3201**

**TABLE OF CONTENTS**

	<u>PAGE</u>
AUDITOR'S REPORT .....	1
FINDINGS AND RECOMMENDATIONS .....	3
DELEGATED PURCHASING PROGRAM .....	3
RECOMMENDATIONS .....	6
CONCLUSION .....	6
CDA'S RESPONSE .....	7
EVALUATION OF CDA'S RESPONSE .....	10



**STATE OF CALIFORNIA**  
**DEPARTMENT OF GENERAL SERVICES**  
**AUDITOR'S REPORT**

DATE: February 24, 2023

TO: Susan DeMarois, Director  
California Department of Aging

This report presents the results of our compliance audit of the delegated purchasing program of the California Department of Aging (CDA). 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 CDA'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 CDA 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 CDA in addressing these issues.

During our review we also identified other matters requiring attention but did not pose a significant risk to the delegated purchasing program, that we discussed with CDA'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, CDA's management agreed to take 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. CDA'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 CDA's personnel.

If you need further information or assistance on this report, please contact me at (916) 376-5054, or Melissa Hambridge, Management Auditor, at (279) 799-3748.

*Olivia Haug*

OLIVIA HAUG

Manager, Office of Audit Services

Staff: Melissa Hambridge, Management Auditor  
Amalia H. Sanchez, Management Auditor

cc: Nate Gillen, Chief, Business Management Bureau, CDA  
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Katie Paige, Manager, Procurement and Contracts Unit, CDA  
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DGS



# **CALIFORNIA DEPARTMENT OF AGING**

## **DELEGATED PURCHASING PROGRAM AUDIT**

### **FINDINGS AND RECOMMENDATIONS**

The following presents our detailed findings and recommendations developed based on our compliance audit of CDA'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 October 7, 2022 through January 5, 2023. 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 2022-23 fiscal year. Our transaction tests included the review of 17 delegated non-IT and IT procurements, including 10 leveraged procurement agreement transactions.

#### **DELEGATED PURCHASING PROGRAM**

Overall, we concluded that CDA 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 procurement transactions performed by CDA staff involved either missing or inadequate procurement documentation for the following areas:

- The STD. 65 did not include the department's "Agency Order Number". (SCM 2, Section 1802)

- The STD. 65 did not list the appropriate and current delegated purchasing authority number. (SCM 2, Section 100.1)
- The State's General Provisions were not correctly incorporated in the STD. 65. (SCM 2, Section 1403.3)
- No Seller's Permit was on file. (SCM 2, Section 1403.3)
- Transaction file did not document the methodology used to determine that the price was Fair and Reasonable. (SCM 2, Section 1510)
- The methodology used to determine Fair and Reasonable was not done correctly. (SCM 2, Section 1510)
- The department did not verify that the contractor was on a prohibited list by checking both the FTB and CDTFA websites. (SCM 2, Section 605)
- When the transaction was over \$5,000, the STD. 65 was not reported to the Department of Fair Employment and Housing (DFEH). (SCM 2, Section 2200.4)
- For SB/DVBE transactions, the buyer did not determine Commercially Useful Function (CUF) and document analysis used prior to the award. (SCM 2, Section 1200.1)
- The signed Bidder Declaration Form (Form GSPD 05-105/05-106) was not in the transaction file. (SCM 2, Section 1202)
- For IT transactions valued over \$5,000, the signed "Certification of Compliance with State IT Policies" (SIMM 71B) was not in the procurement file. (SCM 2, Section 1013)
- The purchase's acquisition methods were not classified correctly. (SCM 2, Section 303)
- The services transaction files did not include a STD. 213. (SCM 2, Section 1803)
- The services transaction files did not include a STD. 215. (SCM 2, Section 1803)
- When the purchase was categorized as an emergency, it did not meet the applicable requirements. (SCM 2, Section 800)
- No solicitation was found in the transaction file. (SCM 2, Section 1403.1)

Leveraged Procurement Agreement (LPA) proper documentation:

- The department did not obtain and maintain a complete copy of the LPA in the procurement file. (SCM 2, Section 1602)
- The purchasing transaction file did not include a copy of the User Instructions. (SCM 2, Section 1602)
- The purchasing transaction file did not include a copy of the Contract Cover Page. (SCM 2, Section 1602)
- The purchasing transaction file did not include a copy of the Contract Price Page. (SCM 2, Section 1602)
- The purchase was not made in accordance with the terms and conditions of the LPA. (SCM 2, Section 1602)
- No evidence on file that FTB and CDTFA websites were verified that the contractor was not on a prohibited list prior to executing the contracts. (SCM 2, Section 605)
- Transactions in excess of \$5,000 are not being reported to the Fair Employment and Housing (DFEH) as required. (SCM 2, Section 2200.4)
- File does not document that the department met the requirements of obtaining multiple offers as required by the LPA User Instructions. (SCM 2, Section 1603)
- Statement of Work was not included in the file. (SCM 2, Section 305)
- Dollar costs identified on the STD. 65/213 was not entered accurately in FI\$Cal-SCPRS. (SCM 2, Section 2200.1)
- The quantities on the Purchase Order do not match the quantities in FI\$Cal-SCPRS. (SCM 2, Section 2200.1)
- SB/DVBE certification data was not entered correctly into FI\$Cal-SCPRS. (SCM 2, Section 2200.1)

## **RECOMMENDATIONS**

1. Enforce current policies and procedures to ensure full compliance with the requirements of the delegated purchasing program. In addition, provide additional training for staff and require staff to attend training courses offered by DGS where applicable.
2. Implement new and update existing checklists to assist in correctly categorizing purchases to ensure the purchase file contains all required documents.
3. Ensure CUF is being performed for all vendors prior to contract award.
4. Ensure purchases of \$5,000 or more are being reported to DFEH.
5. Ensure that buyers are verifying that contractors are not on the prohibited list through the FTB and CDTFA websites.
6. Ensure service purchases include a STD. 213 and STD. 215.
7. Include the User Instructions and Contract Price Page of the LPAs in every transaction file.

## **CONCLUSION**

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

**CALIFORNIA DEPARTMENT OF AGING**

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February 14, 2023

Olivia Haug, Manager  
Office of Audit Services  
Department of General Services  
707 3<sup>rd</sup> Street, 8<sup>th</sup> Floor  
West Sacramento, CA 95605

Re: Audit Report: Delegated Purchasing Program

Dear Ms. Haug:

The California Department of Aging (CDA) has reviewed the draft report of the Department of General Services (DGS), Office of Audit Services' (OAS) compliance audit review. CDA agrees that the Department is conducting its delegated purchasing program in compliance with the terms and conditions of our delegation. CDA also agrees with the findings and recommendations made by DGS during this audit and have initiated the work of establishing corrective measures and practices to address the deficiencies and recommendations. These actions include the following:

## 1. Enforce Current Policies and Procedures

Actions taken by CDA:

- CDA is updating its Procurement Policies and Procedures Manual (PPPM) to address any outdated, incorrect, or missing information.
- CDA will conduct a training for buyers in the first half of 2023 to review current policies and procedures and ensure that they are being followed. Topics of the training will include using established procurement checklists, properly documenting procurement files, Seller's Permit requirements, reporting transactions over \$5,000 to the Department of Fair Employment and Housing (DFEH), Office of Small Business and Disabled Veteran Business Enterprise Services (OSDS) Certifications for Small Business (SB) and Disabled Veteran Business Enterprise (DVBE) transactions, performing Commercially Useful Function (CUF) evaluations for all vendors prior to award, Franchise Tax Board (FTB) and California Department of Tax and Fee Administration (CDTFA) Prohibited lists, transactions for services and applicable standard forms, emergency purchases, accurately entering data into FI\$Cal, and proper use of Fair and Reasonable purchasing.
- CDA will review training completed by current buyers and staff will be directed to complete applicable California Procurement and Contracting Academy (Cal-PCA) training courses that have not been completed. Any newly hired buyers will be required to complete applicable Cal-PCA training courses within six months of their hire.

## 2. Implement New and Update Existing Checklists

Actions taken by CDA:

- Although CDA's current checklists include a number of the items listed as findings during the audit, these checklists can be consolidated for easier use and provide further clarification to the buyer as to when a certain item on the checklist is required. For

example, CDA's checklists include the requirement to perform CUF, but it does not note that CUF is required for all bidders. Another addition to our checklists will be the requirement to check the FTB and CDTFA prohibited lists to verify that a contractor/vendor is not included on those lists prior to executing a purchase.

3. Ensure CUF is Performed for all Vendors Prior to Award

Actions taken by CDA:

- CDA will conduct training that includes the requirement to perform CUF on all bidders, not just the awarded vendors.
- CDA will update its procurement checklists to provide further instruction that all bidders' CUF certifications must be completed and incorporated in the procurement file.

4. Ensure Purchases of \$5,000 or More are Reported to DFEH

Actions taken by CDA:

- Although the reporting of purchase over \$5,000 is included in our checklists, CDA will provide training to buyers to ensure adherence to this requirement.
- CDA will further update its checklists to ensure that the DFEH Contracting Report form (STD 16) is included in its procurement files.

5. Ensure Buyers Verify Contractors are Not on the Prohibited Lists

Actions taken by CDA:

- CDA will include verifying a contractor/vendor is not on a prohibited list by checking both the FTB and CDTFA websites in its training for its buyers.
- This item was not on CDA's checklists, but all checklists will be updated to include this requirement and reinforced by the training noted above.

6. Ensure Service Purchases Include a STD 213 and STD 215

Actions taken by CDA:

- CDA had historically defined and treated subscriptions to websites, conference registrations, and individual training registration as a good, therefore using a FI\$Cal Purchase Order in place of a STD 213 and STD 215. As stated in CDA's actions to recommendation 1, above, CDA will train procurement staff on appropriately procuring services and the forms used to do so.

7. Include User Instructions and Contract Price Page of LPAs in Transaction Files

Actions taken by CDA:

- CDA will provide training and update its checklists to ensure that User Instructions and Contract Price Pages of an LPA are included in the procurement files. Historically, CDA had included solely the cover page for LPAs used to procure goods and services.

Olivia Haug  
Page 3  
February 14, 2023

Many of the recommendations noted in the draft audit report have been implemented or are in the process of being implemented.

CDA appreciates DGS' recommendations and the collaborative manner in which this audit was conducted. This audit will serve as an instrumental tool in CDA's efforts to improve its contracting and procurement practices.

Sincerely,



Susan DeMarois  
Director

Cc: Mark Beckley,  
Chief Deputy Director, CDA

Nicole Shimosaka,  
Deputy Director, Division of Administrative Services, CDA

Nate Gillen, Chief,  
Business Management Bureau, CDA

Katie Paige, Manager,  
State Operations Procurement and Contracts Section, CDA  
Purchasing Authority Management Section (PAMS), Procurement Division, DGS





**CALIFORNIA DEPARTMENT OF AGING  
(CDA)**

**EVALUATION OF CDA'S RESPONSE**

We have reviewed the response by the California Department of Aging (CDA) to our draft report. The response to the recommendations is satisfactory. We appreciate the efforts taken or being taken by CDA 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 reflect the requirements stated in the Recommendations section in the report.