



# MEMORANDUM

**Date:** April 19, 2011

File No. 0207

**To:** Mark Cowin, Director  
Department of Water Resources  
1416 Ninth 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 Water Resources' (DWR) 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 DWR had two purchasing authority delegations: No. 9G-0210-DWR-HQ1 governing non-information technology purchases and No. 9I-0210-DWR-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 DWR's 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, 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 January 14, 2010 through March 17, 2010, we concluded that the DWR is conducting its delegated purchasing program in compliance with the terms and conditions of its delegation agreements. The DWR'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 the DWR's delegated purchasing program. These areas included our concern that policies and procedures were not ensuring full compliance with SCM provisions governing the: (1) maintenance in the procurement transaction files of copies of the contract cover page and pricing page(s) for leveraged procurement agreement transactions (SCM 2 and 3, 6.A4.1); and, (2) maintenance of information on the waiver of the DVBE requirement within the bidder solicitation (SCM 2 and 3, 3.3.2).

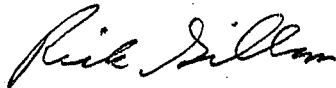
Since the issues noted above are not significant to the DWR's overall delegated purchasing program, they are not further discussed in this report. However, during our audit fieldwork they

were discussed with the DWR's management who immediately began taking action to address our concerns.

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 2009/10 fiscal year. Our transaction tests included the review of 79 delegated procurements.

We greatly appreciated the cooperation and assistance provided by the DWR's 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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