



# MEMORANDUM

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**Date:** February 6, 2019

File No.: 9204

**To:** Christopher Harris, Executive Director  
Colorado River Board of California  
770 Fairmont Avenue, Suite 100  
Glendale, CA 91203-1068

**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 Colorado River Board of California's (CRB) 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 CRB'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 August 27, 2018 through October 26, 2018, we concluded that CRB is conducting its delegated purchasing program in compliance with the terms and conditions of its delegation agreements. CRB's delegated purchasing policies and procedures are sufficient to provide reasonable assurance of compliance with the state's procurement statutes, policies, and procedures.

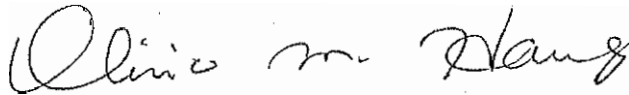
During our review we identified a number of areas for improvement within CRB's delegated purchasing program. These areas included our concern that policies and procedures were not always ensuring full compliance with SCM provisions governing the: (1) bid quote worksheet (SCM 3, 4.D1.1); (2) reporting to the Department of Fair Employment and Housing (DFEH) (Std.16) (SCM 3, 8.3.7); (3) State General Provisions (GSPD-401 non-IT and IT) (SCM 2, 4.B6.2 and SCM 3, 4.B8.2); (4) verifying SB/DVBE certification status (SCM 2 and SCM 3, 3.2.5); (5) Commercially Useful Function (CUF) (SCM 2, 3.2.6 - 3.2.7) and (SCM 3, 3.2.6 - 3.2.8); (6) processing an SB/DVBE Option (SCM 3, 4.B7.0 - 4.B7.1); (7) maintaining complete copies of the Leverage Procurement Agreements (LPAs) (SCM 3, 6.A4.2); (8) LPA number listing on purchase order (SCM 3, 8.4.5) and (9) comparable quotes (SCM 2, 5.7.2).

We are pleased with the prompt actions taken by CRB to address the findings identified during our audit. However, we did not perform effectiveness test to determine whether the corrective actions were functioning as intended. CRB'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.

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 2017/2018 fiscal year. Our transaction tests included the review of 10 delegated procurements.

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

If you need further information or assistance on this report, please contact me at (916) 376-5054, or Amalia Sanchez, Management Auditor, at (916) 376-5016.



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