



# MEMORANDUM

---

**Date:** April 30, 2020

File No.: 0200

**To:** Ralph Lightstone, Interim Chair  
Agricultural Labor Relations Board  
1325 J Street, Suite 1900  
Sacramento, CA 95814

**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 Agricultural Labor Relations Board's (ALRB) 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 the Agricultural Labor Relations Board's purchasing authority delegation agreements with the Department of General Services (DGS), which include dollar threshold limits for various categories of procurements.

ALRB'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 October 26, 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 ALRB's personnel.

If you have any questions, please call me at (916) 376-5054, or Amalia H. Sanchez, Management Auditor, at (916) 376-5016.

*Olivia Haug*

OLIVIA HAUG  
Manager, Office of Audit Services

Attachment

cc: Brian Dougherty, Chief, Division of Administrative Services, ALRB  
Janice Shores, Administration Manager, ALRB  
Santiago Avila-Gomez, Executive Secretary, ALRB  
Purchasing Authority Management Section (PAMS), Procurement Division, DGS

**GOVERNMENT OPERATIONS AGENCY  
DEPARTMENT OF GENERAL SERVICES**

**AUDIT OF THE  
AGRICULTURAL LABOR RELATIONS  
BOARD**

**FOR COMPLIANCE WITH STATE  
DELEGATED PURCHASING PROGRAM  
REPORT NO. 0200**

**OFFICE OF AUDIT SERVICES**

**APRIL 2020**



**AGRICULTURAL LABOR RELATIONS BOARD  
DELEGATED PURCHASING PROGRAM AUDIT  
REPORT NO. 0200**

**TABLE OF CONTENTS**

	<u>PAGE</u>
AUDITOR'S REPORT .....	1
FINDINGS AND RECOMMENDATIONS .....	3
DELEGATED PURCHASING PROGRAM .....	3
RECOMMENDATIONS .....	4
CONCLUSION .....	5
ALRB'S RESPONSE .....	6
EVALUATION OF ALRB'S RESPONSE .....	7



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

DATE: April 30, 2020

TO: Ralph Lightstone, Interim Chair  
Agricultural Labor Relations Board

This report presents the results of our compliance audit of the delegated purchasing program of the Agricultural Labor Relations Board (ALRB). 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 ALRB'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 ALRB 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 ALRB 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 ALRB'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, ALRB'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. ALRB'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 ALRB's personnel.

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

*Olivia Haug*

OLIVIA HAUG  
Manager, Office of Audit Services

Staff: Amalia H. Sanchez, Management Auditor

cc: Brian Dougherty, Chief, Division of Administrative Services, ALRB  
Janice Shores, Administration Manager, ALRB  
Santiago Avila-Gomez, Executive Secretary, ALRB  
Purchasing Authority Management Section (PAMS), Procurement Division, DGS



# **AGRICULTURAL LABOR RELATIONS BOARD**

## **DELEGATED PURCHASING PROGRAM AUDIT**

### **FINDINGS AND RECOMMENDATIONS**

The following presents our detailed findings and recommendations developed based on our compliance audit of ALRB'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 30, 2019 through January 24, 2020. 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 12 delegated non-IT and IT procurements and 13 leveraged procurement agreement transactions.

#### **DELEGATED PURCHASING PROGRAM**

Overall, we concluded that ALRB 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 ALRB staff involved procurement transactions files that did not always include:

- Purchasing Authority referenced on the Purchase Order (SCM F,1.A1.5)
- Referencing the State General Provisions on the Purchase Order (PO) (SCM F,4.B3.1)
- Bid/Quote worksheet retained in procurement file (SCM F, 4.D6.0)
- Reporting to the Department of Fair Employment and Housing (DFEH) transactions over \$5,000 (SCM F, 9.E4.0)
- Commercially Useful Function (CUF) evaluation and determination for all small business (SB) and disabled veteran business enterprise (DVBE) contractors,

- subcontractors and suppliers that bid on or participate in a state contract not in file (SCM F, 3.A2.6 and 3.A2.8)
- Signed Bidder Declaration Form (GSPD 05-105/05-106) not in file (SCM F, 3.A4.7)
- Completing and signing the Certification of Compliance with State IT Policies (SCM F, 2.E5.0)
- Obtaining a copy of the seller's permit and maintaining it on file (SCM F, 4.B3.3)
- Documenting support when using the Small Business/Disabled Veteran Business Enterprise Option (SB/DVBE Option) (SCM F, 4.D3.1)
- PIA waiver not obtained (SCM F, 2.C2.7)
- Properly classifying purchases (SCM F, 2.B2.0)
  
- Leveraged Procurement Agreement (LPA) proper documentation:
  - o Purchase not documented in accordance with LPA terms and conditions (SCM F, 5.A1.10)
  - o Franchise Tax Board (FTB) and California Department of Tax and Fee Administration (CDTFA) verification (SCM F, 2.B4.5)
  - o Completing and signing the Certification of Compliance with State IT Policies (SCM F, 2.E5.0)
  - o PIA waiver not obtained prior to procurement (SCM F, 2.C2.7)
  - o Reporting to DFEH transactions over \$5,000 (SCM F, 9.E4.0)
  - o Multiple offers not obtained as required by the LPA (SCM F, 5.A2.0)
  - o Documenting "best value" for transactions \$5,000 and over (SCM F, 5.A2.2)
  - o Obtaining Department of General Services - Office of Legal Services approval for LPA transactions of \$50,000 or more for (Non-IT Services) (SCM F, 5.E1.3)

## **RECOMMENDATIONS**

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

1. Purchasing authority number is referenced on all purchase orders
2. Purchase orders include the State General Provisions
3. Bid/ Quote worksheets retained in the procurement file
4. Report purchases over \$5,000 to DFEH
5. CUF is evaluated and documented in the procurement file
6. Bidder Declaration form is retained in the procurement file
7. Certification of Compliance with State IT Policies is signed and retained in the procurement file
8. Seller's permit is included in the procurement file and is valid
9. Documentation to support the use of SB/DVBE Option
10. Obtaining PIA waiver when required and maintaining a copy in the procurement file
11. Proper classification of purchases
12. Ensure the LPA terms and conditions are followed
13. Ensure FTB and CDTFA requirements are being verified
14. Obtain multiple offers when required by the LPA
15. Document "best value" for purchases over \$5,000
16. Obtain DGS-OLS approval for LPA transactions of \$50,000 or more for (Non-IT Services)

## **CONCLUSION**

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



**AGRICULTURAL LABOR RELATIONS BOARD****Division of Administrative Services**

1325 J STREET, SUITE 1900  
SACRAMENTO, CA 95814-2944  
Internet: [www.alrb.ca.gov](http://www.alrb.ca.gov)



---

**MEMORANDUM**

---

**DATE:** April 7, 2020

**TO:** Department of General Services  
Office of Audit Services

**FROM:** Ralph Lightstone *Ralph Lightstone*  
Interim Chair

**SUBJECT:** ALRB's Response to Audit Report: Delegated Purchasing Program

---

In response to the DGS Audit Report, the Agricultural Labor Relations Board (ALRB) agrees with the findings and has either made the necessary recommendations or is in the process of implementing the recommendations.

Based on the DGS recommendations, ALRB has created two checklist processes – one checklist for Fair & Reasonable purchases and another checklist for LPA purchases. The checklists are to be included with each file created whether for a one time purchase or an on-going contract. Staff have been utilizing their time by completing procurement courses through CalPCA and FI\$Cal to help them better understand the procurement process. We have also initiated a review process before the purchase can be completed to ensure proper procedures are being followed.

ALRB Administration management has begun working on creating procedures for staff to follow. The ALRB procurement staff are also working on creating desk procedures.

Please feel free to Brian Dougherty at (916) 651-7607 or [Brian.Dougherty@alrb.ca.gov](mailto:Brian.Dougherty@alrb.ca.gov) if you

have any questions. cc: Brian Dougherty, Chief, Division of Administrative Services

Janice Shores, Administration Manager  
Santiago Avila-Gomez, Executive Secretary



**AGRICULTURAL LABOR RELATIONS BOARD  
(ALRB)**

**EVALUATION OF ALRB'S RESPONSE**

We have reviewed the response by the Agricultural Labor Relations Board (ALRB) to our draft report. The response to the recommendations is satisfactory. We appreciate the efforts taken or being taken by ALRB 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.