



MEMORANDUM

Date: May 3, 2021 File No.: 0203

To: Jane Freeman, Acting Executive Director
California Tahoe Conservancy
1061 Third Street
South Lake Tahoe, CA 96150

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

CTC'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 November 3, 2021.

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 CTC'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: Brent Coe, Chief Administrative Officer and Chief Information Officer, CTC
Matt Whalen, Senior Accounting Officer (Supervisor), CTC
Purchasing Authority Management Section (PAMS), Procurement Division, DGS

**GOVERNMENT OPERATIONS AGENCY
DEPARTMENT OF GENERAL SERVICES**

**AUDIT OF THE
CALIFORNIA TAHOE
CONSERVANCY**

**FOR COMPLIANCE WITH STATE
DELEGATED PURCHASING PROGRAM
REPORT NO. 0203**

OFFICE OF AUDIT SERVICES

MARCH 2021

**CALIFORNIA TAHOE CONSERVANCY
DELEGATED PURCHASING PROGRAM AUDIT
REPORT NO. 0203**

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STATE OF CALIFORNIA
DEPARTMENT OF GENERAL SERVICES
AUDITOR'S REPORT

DATE: May 3, 2021

TO: **Jane Freeman**, Acting Executive Director
California Tahoe Conservancy

This report presents the results of our compliance audit of the delegated purchasing program of the California Tahoe Conservancy (CTC). 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 CTC'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 CTC 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 CTC 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 CTC'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, CTC'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. CTC'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 CTC'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: Brent Coe, Chief Administrative Officer and Chief Information Officer, CTC
Matt Whalen, Senior Accounting Officer (Supervisor), CTC
Purchasing Authority Management Section (PAMS), Procurement Division, DGS

CALIFORNIA TAHOE CONSERVANCY

DELEGATED PURCHASING PROGRAM AUDIT

FINDINGS AND RECOMMENDATIONS

The following presents our detailed findings and recommendations developed based on our compliance audit of CTC'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 January 11, 2020 through January 29, 2021. 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 2019-20 fiscal year. Our transaction tests included the review of 8 delegated non-IT and IT procurements, including 4 leveraged procurement agreement transactions.

DELEGATED PURCHASING PROGRAM

Overall, we concluded that CTC 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.

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 CTC staff involved either missing or inadequate procurement documentation for the following areas:

- Department's Purchasing Authority Number missing from Purchase Order (SCM F, 1.A1.5)
- Purchase Order not itemized in sufficient detail (SCM Vol. 3, 8.4.5)
- Purchase incorrectly classified (SCM F, 2.B2.0)
- State's General Provisions not referenced on Purchase Order (SCM F, 4.B3.1; FI\$Cal Job Aid 223)
- Bid/Quote Worksheet not retained in procurement file (SCM F, 4.C4.0)
- Reporting to DFEH transactions over \$5,000 (SCM F, 9.E4.0)
- State's Bidder Instructions not in file (SCM F, 4.B3.0)
- State's General Provisions missing from solicitation (SCM F, 4.B3.1)
- DVBE Program Requirements missing from solicitation (SCM F, 3.A3.1)

- Commercially Useful Function (CUF) documentation not in file (SCM F, 3.A2.6 – SCM F, 3.A2.7)
- Bidder Declaration Form (GSPD 05-105/05-106) not in file (SCM F, 3.A4.7)
- A signed Certification of Compliance with State IT Policies for transactions of \$5,000 or more not in the file (SCM F, 2.E5.0)
- Verification of FTB and CDTFA not in file (SCM F, 2.B4.5)
- Solicitation not created for transactions (SCM F, 4.B1.0)
- Transaction not processed on a Std. 213 (SCM Vol. 3, 8.5.0)
- Transaction not processed on a Std. 215 (SCM Vol. 3, 8.5.2)
- Documentation to support the Fair and Reasonable (F&R) technique used for transaction (SCM F, 6.9.4)
- Statement of work included for applicable transaction (SCM F, 2.B8.0 – SCM F, 2.B8.1)
- Not processing a purchase document for a CAL-Card purchase valued at \$2,500 and over (SCM F, 8.B4.1)

- Leveraged procurement Agreement (LPA) proper documentation:
 - o Department's Purchasing Authority Number missing from Purchase Order (SCM F, 1.A1.5)
 - o Terms and Conditions not incorporated on purchase document (SCM F, 5.A1.10; FI\$Cal Job Aid 223)
 - o Not maintaining a copy of LPA contract in file (SCM F, 5.A1.0)
 - o Not maintaining a copy of User Instructions (SCM F, 5.A1.5; SCM F, 5.A1.7)
 - o Not maintaining a copy of LPA contract cover page (SCM F, 5.A1.5; SCM F, 5.A1.7)
 - o Not maintaining a copy of price page (SCM F, 5.A1.5; SCM F, 5.A1.7)
 - o Purchase not made in accordance with the terms and condition of the LPA (SCM F, 5.A1.0; SCM F, 5.A1.10)
 - o Verification of FTB and CDTFA not in file (SCM F, 2.B4.5)
 - o A signed Certification of Compliance with State IT Policies for transactions of \$5,000 or more not in the file (SCM F, 2.E5.0)
 - o Not reporting to DFEH transactions over \$5,000 (SCM F, 9.E4.0)
 - o Not obtaining multiple offers (SCM F, 5.A2.0)

RECOMMENDATIONS

Strengthen existing policies and procedures over its delegated purchasing program that includes the following areas:

1. Ensure staff is trained and knowledgeable in processing procurements within the delegated amounts or requesting the Department of General Services (DGS) to complete the procurement; including the department's delegation number on each purchase document and solicitation; accurately classifying purchase types; including the General Provisions on the purchase orders; including the state's bidder instructions in the procurement file; including DVBE program requirements in the solicitations, documenting CUF requirements in the procurement file; maintaining bidder declaration forms in the procurement file; maintaining file documentation for FTB and CDTFA verifications, reporting purchases over \$5,000 to DFEH; maintaining a

signed Certification of Compliance with State IT Policies; creating solicitations; creating a purchase document for CAL-Card purchases of \$2,500 or more; maintaining a Bid/Quote worksheet in the file; documentation in support of Fair and Reasonable technique maintained in file; and completing a statement of work for applicable transactions.

2. LPA purchases should be conducted in accordance with the terms and conditions set forth by the LPA. Further, maintain a complete file for each LPA purchase.

CONCLUSION

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



April 22, 2021

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

RE: Audit Report: Delegated Purchasing Program

Dear Ms. Haug:

BOARD MEMBERS

NATURAL RESOURCES AGENCY
Wade Crowfoot, Secretary
Elizabeth Williamson, Designee

DEPARTMENT OF FINANCE
Keely Bosler, Director
Gayle Miller, Designee

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Bill Jackson

JANE FREEMAN
Acting Executive Director

The California Tahoe Conservancy (Conservancy) has reviewed the Department of General Services (DGS) draft Audit Report of the Delegated Purchasing Program, provided in April of 2021. The Conservancy finds that the report provides a thorough and accurate summary of our compliance with state standards. We take our responsibility seriously and we are committed to correcting all deficiencies noted in the report. These include missing or inadequate procurement documentation on purchase orders, incorrect classifications, State General Provisions not referenced on the Purchase Order, bid quotes not retained in file, reporting to Department of Fair Employment and Housing (DFEH) transactions over \$5,000, and other findings of inadequate or missing documentation.

Per DGS request, this letter acknowledges that we have received and understand the report. It also acknowledges that we have reviewed and agree to the recommendations presented within the Audit Report.

The Conservancy plans to implement the following recommendations made by DGS to improve existing policies and procedures regarding its delegated purchasing program:

Recommendation #1

The Conservancy will conduct purchasing training for staff that includes the following topics:

1. Processing procurements within delegated amounts or requesting DGS to complete the procurement.
2. Including the department's delegation number on each purchase document and solicitation.
3. Accurately classifying purchase types.
4. Including the General Provisions on the purchase orders.
5. Including the State's bidder instructions in the procurement file.

6. Including Disabled Veterans Business Enterprise (DVBE) program requirements in the solicitations.
7. Documenting Commercially Useful Function (CUF) requirements in the procurement file.
8. Maintaining bidder declaration forms in the procurement file.
9. Maintaining file documentation for Franchise Tax Board (FTB) and California Department of Tax and Fee Administration (CDTFA) verifications.
10. Reporting purchases over \$5,000 to DFEH.
11. Maintaining a signed Certification of Compliance with State Information Technology (IT) Policies.
12. Creating solicitations.
13. Creating a purchase document for California Purchase Card Program (CAL-Card) purchases of \$2,500 or more.
14. Maintaining a Bid/Quote worksheet in the file.
15. Documentation in support of Fair and Reasonable maintained in file.
16. Completing a statement of work for applicable transactions.

Additionally, the Conservancy will develop a system to better manage procurement files to retain required documentation.

Recommendation # 2

The Conservancy will review the Leveraged Procurement Agreement (LPA), provide orientation for staff members involved with purchasing and creating relevant outgoing agreements, and maintain a complete file for each LPA purchase.

In summary, the Conservancy thanks DGS for the Audit and appreciates the opportunity to respond to the draft findings. We look forward to implementing corrective actions and will continue to educate and train our staff on the best procurement practices and requirements to maintain compliance with state standards. If you have any questions or need any additional information, please contact Matt Whalen, our Accounting and Budget Supervisor, at (530) 307-9467 or matt.whalen@tahoe.ca.gov.

Sincerely,

Jane Freeman

Jane Freeman
Acting Executive Director

CC: Matt Whalen, Conservancy
Brent Coe, Conservancy
Amalia Sanchez, DGS

**CALIFORNIA TAHOE CONSERVANCY
(CTC)**

EVALUATION OF CTC'S RESPONSE

We have reviewed the response by the California Tahoe Conservancy (CTC) to our draft report. The response to the recommendations is satisfactory. We appreciate the efforts taken or being taken by CTC 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.