



MEMORANDUM

Date: April 19, 2022 File No.: 2200

To: Bruce Saito, Director
California Conservation Corps
1719 24th Street
Sacramento, CA 95816

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

CCC'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 October 19, 2022.

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 CCC'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: Dawne Bortolazzo, Deputy Director, Administrative Services Division, CCC
Michael Haupt, Chief, Business Services, CCC
Giavanna Hampton, Contracts and Procurement Manager, Business Services, CCC
Scott Linton, Fleet, Records, and Inventory Manager, Business Services, CCC
Erika Rodea, Chief, Accounting Office, CCC
Purchasing Authority Management Section (PAMS), Procurement Division, DGS

**GOVERNMENT OPERATIONS AGENCY
DEPARTMENT OF GENERAL SERVICES**

**AUDIT OF THE
CALIFORNIA CONSERVATION
CORPS**

**FOR COMPLIANCE WITH STATE
DELEGATED PURCHASING PROGRAM
REPORT NO. 2200**

OFFICE OF AUDIT SERVICES

MARCH 2022

**CALIFORNIA CONSERVATION CORPS
DELEGATED PURCHASING PROGRAM AUDIT
REPORT NO. 2200**

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STATE OF CALIFORNIA
DEPARTMENT OF GENERAL SERVICES
AUDITOR'S REPORT

DATE: April 19, 2022

TO: Bruce Saito, Director
California Conservation Corps

This report presents the results of our compliance audit of the delegated purchasing program of the California Conservation Corps (CCC). 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 CCC'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 CCC 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 CCC 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 CCC'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, CCC'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. CCC'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 CCC'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: Dawne Bortolazzo, Deputy Director, Administrative Services Division, CCC
Michael Haupt, Chief, Business Services, CCC
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Scott Linton, Fleet, Records and Inventory Manager, Business Services, CCC
Erika Rodea, Chief, Accounting Office, CCC
Purchasing Authority Management Section (PAMS), Procurement Division, DGS

CALIFORNIA CONSERVATION CORPS

DELEGATED PURCHASING PROGRAM AUDIT

FINDINGS AND RECOMMENDATIONS

The following presents our detailed findings and recommendations developed based on our compliance audit of CCC'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 21, 2021 through February 25, 2022. 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 2021-22 fiscal year. Our transaction tests included the review of 30 delegated non-IT and IT procurements, including 14 leveraged procurement agreement transactions.

DELEGATED PURCHASING PROGRAM

Overall, we concluded that CCC 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 CCC staff involved either missing or inadequate procurement documentation for the following areas:

- The purchase order amount was over the department's delegation amount (SCM F, 1.A2.0)
- The purchase order/STD. 213 did not include the department's Purchasing Authority Number (SCM F, 1.A1.5)

- Misclassifying purchases (SCM F, 2.B2.0)
- The incorrect procurement method was selected in FI\$Cal (SCM F, 2.B2.2)
- State General Provisions was not referenced on purchase order/STD. 213 (SCM F, 4.B3.1)
- A Bid/Quote worksheet was not used for these purchases (SCM F, 4.D2.3)
- Fair Employment and Housing (DFEH) was not reported to as required due to no STD. 16 Forms on file (SCM F, 9.E4.0)
- The State Bidder Instructions (GSPD-451) was not included in the solicitation as there were no solicitations on file (SCM F, 4.B3.0)
- State's General Provisions could not be verified as there was no Solicitation/RFQ on file (SCM F, 4.D2.2)
- No Disabled Veteran Business Enterprise (DVBE) Program Requirements or no waiver letter on file (SCM F, 3.A3.1)
- The transaction files did not include the seller's permit (SCM F, 4.B3.3)
- Commercially Useful Function (CUF) Evaluation was not performed for all SB/DVBE contractors (SCM F, 3.A2.6)
- The signed Bidder Declaration Form (GSPD 05-105/05-106) for SB/DVBE transactions was not located in the transaction file (SCM F, 3.A4.7)
- For DVBE transactions a signed STD. 843 (DVBE Declarations) was not in the transaction file (SCM F, 3.A3.5)
- A signed Certification of Compliance with State IT Policies for IT Transactions over \$5,000 was not in transaction file (SCM F, 2.E5.0)
- 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 F, 2.B4.5)
- No evidence that a solicitation was created for these transactions (SCM F, 4.B1.0)

- Bids were not adequate and comparable (SCM F, 4.C2.0 and SCM F, 4.C2.1)
- The methodology used to determine that the price is Fair and Reasonable was not documented (SCM F, 6.9.4)
- The file did not have documentation to support the requirement of the SB or DVBE option (SCM F, 4.D3.1)
- The transaction was not published in the California State Contracts Register (CSCR) (SCM F, 4.D1.2)
- The transactions did not have documentation that exhibited that the Fair and Reasonable methodology was done correctly (SCM F, 6.9.0-6.9.1)
- The transaction file did not include a STD. 213 (SCM 3, 8.5.0)
- The transaction file did not include a STD. 215 (SCM 3, 8.5.0)
- The STD. 215 was not itemized in sufficient detail to determine the product(s) ordered, the unit price, or the extension total (SCM 3, 8.5.2)
- The procurement file did not include a written solicitation for IT service transactions over \$4,999.99 (SCM F, 4.D1.2)
- Leveraged Procurement Agreement (LPA) proper documentation:
 - o The transaction was not documented on the department's purchasing logs and the FI\$Cal-SCPRS log (SCM F, 1.A3.6)
 - o The purchase document did not include the department's purchasing authority number (SCM F, 1.A1.5)
 - o The LPA contract number was not entered into the Leverage Procurement Agreement number box on the purchase document (STD 65 User Instructions #6)
 - o The terms and conditions were not incorporated into the purchase documents (SCM F, 5.A1.10)
 - o The department did not obtain and maintain a complete copy of the LPA in the procurement file (SCM F, 5.A1.5)
 - o The purchasing transaction file did not include a copy of the Contract Pricing Page (SCM F, 5.A1.0)
 - o The purchase was not made in accordance with the terms and conditions of the LPA (SCM F, 5.A1.5)

- The procurement file did not include documentation to support that the FTB and CDTFA were verified prior to executing the contract (SCM F, 2.B4.5)
- A Certification of Compliance with State IT policies was not included for applicable transactions over \$5,000 (SCM F, 2.E5.0)

RECOMMENDATIONS

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

1. Additional areas of non-compliance – ensure staff is trained and knowledgeable in accurately classifying purchase types; including the department's delegation number on each purchase document and solicitation; including the General Provisions on the purchase orders; maintaining the seller's permits in the procurement file; including the state's bidder instructions in the procurement file; including DVBE program requirements in the solicitation; 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; Including Bid Quote Worksheet in procurement file; ensuring purchases are itemized in sufficient detail; incorporating State's General Provisions in all solicitations; including solicitations regardless of format (phone, RFQ, IFB, RFP); signed Certification of Compliance with IT State Policies for acquisitions greater than \$5,000; Documentation to support Fair & Reasonable in procurement file; advertising in the California State Contracts Register (CSCR); process a written solicitation for an IT Service Transaction that exceeds \$4,999.99; and processing IT Services on a STD. 213 and STD. 215.
2. Policies and procedures include that LPA purchases are conducted in accordance with the terms and conditions set forth by the LPA. Further, maintain a complete file for each LPA purchase.
3. Implement checklist(s) to include all attributes noted.

CONCLUSION

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



4/8/2022

Olivia Haug
Manager, Office of Audit Services
Department of General Services
707 3rd Street
West Sacramento, CA, 95606

Dear Ms. Haug,

The California Conservation Corps has reviewed the draft of the Department of General Services, Office of Audit Service's (DGS, OAS) compliance audit review. We agree with the findings and recommendations. Below are the corrective measures to remedy the noted deficiencies in our Procurement Program. We are pleased the DGS OAS concluded that the California Conservation Corps is conducting its delegated purchasing program in compliance with our delegated purchasing authority. The CCC further appreciates the time and collaboration the DGS OAS Auditors had with CCC Staff and Management during the audit review as it was instrumental in providing further improvements to our procurement program.

We submit the following responses to address the recommendations by DGS, OAS.

1. *DGS findings and recommendations: Additional areas of non-compliance – ensure staff is trained and knowledgeable in accurately classifying purchase types; including the department's delegation number on each purchase document and solicitation; including the General Provisions on the purchase orders; maintaining the seller's permits in the procurement file; including the state's bidder instructions in the procurement file; including DVBE program requirements in the solicitation; 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; Including Bid Quote Worksheet in*





procurement file; ensuring purchases are itemized in sufficient detail; incorporating State's General Provisions in all solicitations; including solicitations regardless of format (phone, RFQ, IFB, RFP); signed Certification of Compliance with IT State Policies for acquisitions greater than \$5,000; Documentation to support Fair & Reasonable in procurement file; advertising in the California State Contracts Register (CSCR); process a written solicitation for an IT Service Transaction that exceeds \$4,999.99; and processing IT Services on a STD. 213 and STD. 215.

CCC response to recommendation #1:

The CCC in response to the audit, simultaneous delegation review, and in aligning to revised SCM and SAM updates will be publishing a large update to our internal procurement policies and procedures. Drafts have been made available to both auditor groups and will serve as the foundation for training and expectations. This will be going to the CCC Operations Manual Committee for review and published soon. With that in mind, the CCC is also creating a Statewide training class for all procurement Staff which will be held virtually on 4/21/2022. The topic will be the attached audit findings and the roll out of new developed Check Lists to ensure all documents listed above are in the procurement files. During the pre-exit summaries process, the CCC has been initiating group training sessions and 1:1 training session with buyers regarding the above findings. Business Services are providing DGS with the attachments and follow-up emails of each training session and will continue to do so for record purposes. Additionally, CCC is planning a 3-4 day in person training for all procurement Staff later in 2022. Once training is completed, the CCC will provide DGS Auditors samples of PO's and Procurement files demonstrating fulfillment of DGS Auditors recommendations.

2. *DGS findings and recommendations: Policies and procedures include that LPA purchases are conducted in accordance with the terms and conditions set forth by the LPA. Further, maintain a complete file for each LPA purchase.*

CCC response to recommendation #2:

As noted in recommendation #1, the CCC will be updating its internal policies and procedures to address this finding. Business Services has been reminding buyers and will continue to refresh them at every opportunity, to carefully read the user instructions

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within the LPA being utilized, to ensure they are following the order procedures required. The doors are always open for employees involved in procurement, of all roles, to provide training, recommendations, and answer any questions and/or hypotheticals that are presented. The virtual training and in-person trainings scheduled for April and later this year will introduce a Check List and will consist of training for all documents required in the transaction folders for any LPA purchases. Once training is completed, the CCC will provide DGS Auditors samples of PO's and Procurement files demonstrating fulfillment of DGS Auditors recommendations.

3. *DGS findings and recommendations: Implement checklist(s) to include all attributes noted.*

CCC response to recommendation #3:

The CCC Business Services Staff began creating Check Lists as the findings were initially discovered/revealed, most are in final draft stage. All Check Lists will be presented on 4/21/2022 virtually in a Statewide training call. These Check Lists will be an featured in the in person training to be scheduled later this year. Once training is completed, the CCC will provide DGS Auditors samples of PO's and Procurement files demonstrating fulfillment of DGS Auditors recommendations. As with the above recommendations this is in the draft policy and procedures update as well.

Regards,

Bruce Saito

Director, California Conservation Corps

DocuSigned by:
Bruce Saito
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CALIFORNIA CONSERVATION CORPS (CCC)

EVALUATION OF CCC'S RESPONSE

We have reviewed the response by the California Conservation Corps (CCC) to our draft report. The response to the recommendations is satisfactory. We appreciate the efforts taken or being taken by CCC 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.