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To: Will Lightbourne, Director
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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 Social Services' (DSS) 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 DSS' 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) 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 (SB) and disabled veteran business enterprises (DVBE), 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 March 8, 2018 through July 12, 2018, we concluded that DSS is conducting its delegated purchasing program in compliance with the terms and conditions of its delegation agreements. DSS' 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 DSS' delegated purchasing program. These areas included our concern that policies and procedures were not always ensuring full compliance with SCM provisions governing the: (1) referencing of the State's Bidder Instructions and General Provisions in all competitive solicitations¹ (SCM 2, 4.B6.0 and 4.B6.1 and SCM 3, 4.B8.0 and 4.B8.1); (2) obtaining of bidder declaration forms from small businesses and DVBEs which assist in verifying the performance of a commercially useful function¹ (SCM 2, 3.2.6-3.2.7 and 3.5.7-3.5.8 and 4.A1.7 and SCM 3, 3.2.6 and 3.4.7); (3) maintenance of information on the waiver of the DVBE requirement within the bidder solicitation (SCM 2 and 3, 3.3.2); (4) obtaining SB/DVBEs certifications to ensure status prior to contract award (SCM 2 and 3, 3.2.5); (5) correct version of the GSPD-401 for Non-IT or IT Commodities referenced (SCM 2, 4.B6.1 and SCM 3, 4.B8.1); (6) retaining seller's permit in the procurement file (SCM 2, 4.B6.3 and SCM 3, 4.B8.6); (7) bid quote worksheets retained and completed (SCM 2, 4.B3.4 and SCM 3, 4.D1.1); (8) DFEH notified of transactions over \$5,000 (SCM 2, 8.2.7 and SCM 3, 8.3.7); (9) Target Area Contract Preference Act (TACPA) included in

¹ These are reoccurring findings noted in the prior Purchasing Authority audit.

competitive solicitations over \$100,000 (SCM 2 and 3, 3.90); (10) referencing correct purchasing authority number on LPA purchasing documents (SCM 2 and 3, Chapter 6); (11) LPA contract price page in the procurement file (SCM 2 and 3, 6.A4.1); (12) certification by the department's director or designee of compliance with State IT policies (SCM 3, 2.C6.0); and, (13) maintenance of multiple offers and procurement file documentation as directed by the LPA user instructions (SCM 2 and 3, 6.A3.0, 6.A3.6 and 6.A4.0).

Prior to the completion of our audit, we verified that appropriate actions had been or were being taken to address the above issues. However, we did not perform effectiveness tests to determine whether the corrective actions were functioning as intended. DSS' 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 56 delegated procurements.

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

If you need further information or assistance on this report, please contact me at (916) 376-5054, or Monica De La Rosa, Management Auditor, at (916) 376-5050.



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