



MEMORANDUM

Date: July 26, 2010

File No: 0200

To: Ruth Coleman, Director
Department of Parks and Recreation
1416 9th Street, Room 1405
Sacramento, CA 95814

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 Parks and Recreation's (DPR) 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. The DPR has two purchasing authority delegations: No. 9G-0310-PRK-HQ1 governing non-information technology purchases and No. 9I-0310-PRK-HQ1 governing information technology purchases. 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 the DPR's purchasing authority delegation agreements with the 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 and 3. 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 and disabled veteran business enterprises, 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 July 2, 2009 through August 28, 2009, we concluded that the DPR is conducting its delegated purchasing program in compliance with the terms and conditions of its delegation agreements. The DPR'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 the DPR's delegated purchasing program. These areas included our concern that policies and procedures were not ensuring full compliance with SCM provisions governing the: (1) obtaining of a copy of a supplier's seller's permit (SCM 2, Section 4.B9.5 and SCM 3, Section 3.B8.5); (2) referencing of the State's General Provisions in all competitive solicitations (written or verbal) (SCM 2, Section 4.B9.1 and SCM 3, Section 3.B8.1); and, (3) maintenance of information on the waiver of the DVBE requirement for a specific solicitation (SCM 2, Section 3.3.1 and SCM 3, Section 2.C1.0).

Since the issues noted above are not significant to the DPR's overall delegated purchasing program, they are not further discussed in this report. However, during our audit fieldwork they were discussed with the DPR's management who indicated that appropriate actions had been or were being taken to address our concerns.

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 2008/09 fiscal year.

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

If you need further information or assistance on this report, please contact me at (916) 376-5058, or Andy Won, Audit Supervisor, at (916) 376-5052.



RICK GILLAM, CPA, CIA
Chief, Office of Audit Services

Staff: Andy Won, Audit Supervisor
Maricela Bautista
Susan Mitchel

cc: Jose Manuel Lopez, Deputy Director, Administrative Services Division
Dave Saxby, Acting Assistant Deputy Director, Administrative Services Division
Ted Novack, Manager, Business Management Services
Timothy Wood, Staff Services Manager II, Business Management Services
Danelle Hosmann, Staff Services Manager I, Accounting Services
Arthur Lee, Chief, Audits Office