



# MEMORANDUM

**Date:** September 30, 2010 File No.: 0169

**To:** David Maxwell-Jolly, Director  
Department of Health Care Services  
MS Code 0000  
PO Box 997413  
Sacramento, CA 95899-7413

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

**Subject:** **QUALITY CONTROL REVIEW OF CONTRACT APPROVAL EXEMPTION  
AUDIT**

This report presents the results of our quality control review of an internal audit conducted of the Department of Health Care Services' (DHCS) contracting program. The audit was conducted by DHCS' Internal Audits unit.

As a condition of DHCS' exemption (Exemption Letter No. 55.4) from the Department of General Services' (DGS) approval of its contracts under \$75,000, two audits are required to be performed of the department's contracting program during the exemption period of October 1, 2007 through September 30, 2011. On September 30, 2009, Internal Audits issued an audit report which presented the results of the first audit required under the terms of the exemption. Public Contract Code Section 10352 requires the DGS to perform a quality control review of the audit.

The objectives of our quality control review were to determine: (1) if the internal audit was conducted in accordance with an audit guide issued by the DGS; and, (2) if reported findings are being appropriately addressed by the DHCS' management. Based on our interviews of audit staff and review of the working papers prepared to support audit tests, and our performance of other procedures as deemed necessary, we concluded that the audit was conducted in accordance with the DGS' audit guide and that management indicated a commitment to take appropriate actions to address reported findings.

We greatly appreciated the cooperation and assistance provided by DHCS' audit staff.

If you need further information or assistance on this report, please contact me at (916) 376-5058, or Dennis Miras, Audit Supervisor, at (916) 376-5064.

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

cc: Jose Aguirre, Deputy Director and Chief Counsel, Office of Legal Services, DGS  
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