



MEMORANDUM

Date: August 18, 2017

File No. 7170

To: Grant Davis, Director
Department of Water Resources
1416 Ninth Street
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From: Department of General Services
Office of Audit Services

Subject: AUDIT REPORT: CONTRACTING PROGRAM

This report presents the results of our audit of the Department of Water Resources' (DWR) contracting program. On June 16, 2015, the Director of the Department of General Services (DGS) signed Exemption Letter No. DWR 1 which granted DWR's request to process contracts without DGS review and approval. In brief, subject to a number of limitations, the exemption allows various types of contracts under \$150,000 to be processed without DGS review and approval during the four-year period of July 1, 2015 through June 30, 2019. As a condition of the exemption, two audits are required to be performed of DWR's contracting program during the four-year exemption period. Based on DWR's request, the DGS Office of Audit Services agreed to conduct the first audit required under the terms of the exemption.

The objective of our audit was to determine compliance with the terms and conditions of Exemption Letter No. DWR 1. In general, the exemption requires that DWR maintain an adequate and effective system of internal control over contracting and that the system be sufficient to ensure compliance with the state's contracting laws, policies, and procedures. Our audit was conducted in accordance with U.S. generally accepted auditing standards.

Based on the results of our fieldwork conducted over the period March 30, 2017 through June 21, 2017, we concluded that DWR is conducting its contracting program in compliance with the terms and conditions of its exemption. DWR's contracting policies and procedures are sufficient to provide reasonable assurance of compliance with the state's contracting laws, policies, and procedures.

To determine compliance, we reviewed policies and procedures, tested a sample of contracts awarded during the 2015/16 and 2016/17 fiscal years, interviewed parties involved and performed other tests as deemed necessary.

We sincerely appreciated the cooperation and assistance provided by DWR's personnel.

If you need further information or assistance on this report, please call / e-mail me at (916) 376-5064 / Dennis.Miras@dgs.ca.gov, or Lucy Wong at (916) 376-5049 / Lucy.Wong@dgs.ca.gov.

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