DATE: February 7, 2018

To: Jennifer Kent, Director
Department of Health Care Services
1501 Capitol Avenue, MS 0000
P.O. Box 997413
Sacramento, CA 95899-7413

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 California Department of Health
Care Services' (DHCS) 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 DHCS' purchasing authority delegation
agreement with DGS, which includes 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 July 6, 2017 through
November 29, 2017, we concluded that DHCS is conducting its delegated purchasing program
in compliance with the terms and conditions of its delegation agreements. DHCS' delegated
purchasing policies and procedures are sufficient to provide reasonable assurance of
compliance with the state's procurement statutes, policies, and procedures.

DHCS' 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 2016/17 fiscal year. Our transaction tests included the
review of 42 delegated procurements.

We greatly appreciated the cooperation and assistance provided by DHCS' personnel.
If you need further information or assistance on this report, please contact me at (916) 376-5054, or Christine Pham, Management Auditor, at (916) 376-5060.

OLIVIA M. HAUG
Manager, Office of Audit Services

Staff: Christine Pham

cc: Erika Sperbeck, Chief Deputy Director, Policy and Program Support
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