



MEMORANDUM

Date: March 16, 2018

File No.: 8200

To: The Honorable Xavier Becerra, Attorney General
Department of Justice
1300 I Street, Suite 11000
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 Justice's (DOJ) 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 DOJ's 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 July 18, 2017 through November 9, 2017, we concluded that DOJ is conducting its delegated purchasing program in compliance with the terms and conditions of its delegation agreements. DOJ'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 DOJ's delegated purchasing program. These areas included our concern that policies and procedures were not always ensuring full compliance with SCM provisions governing the: (1) maintenance of solicitation documents in the file (SCM 2.4.B.2.0), and (2) verifying the SB/DVBE certification status prior to contract award (SCM 2,3.2.5).

We are pleased with the prompt actions taken by DOJ to address findings identified during our audit fieldwork. However, we did not perform effectiveness tests to determine whether the corrective actions are functioning as intended. DOJ 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 2016/2017 fiscal year. Our transaction tests included the review of 12 delegated procurements.

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

If you need further information or assistance on this report, please contact me at (916) 376-5054, or Amalia Sanchez, Management Auditor, at (916) 376-5016.

A handwritten signature in blue ink that reads "Olivia M. Haug". The signature is written in a cursive style with a large initial "O".

Olivia M. Haug
Manager, Office of Audit Services

Staff: Amalia Sanchez

cc: Chris Ryan, Deputy Chief, Division of Operations
Nancy Mar, Data Processing Manager III, IT Procurement and Project Office
Ellie Luna, Staff Manager II, Division of Operations, Contracts and Purchasing Unit
Chris Prasad, Director, CPA, CFE, Office of Program Oversight & Accountability
Purchasing Authority Management Section (PAMS), Procurement Division, DGS