



# MEMORANDUM

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**Date:** April 5, 2019

File No.: 9206

**To:** Mary C. Kelly, Executive Officer  
Education Audit Appeals Panel  
770 L Street, Suite 1100  
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 Education Audit Appeals Panel's (EAAP) 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 EAAP'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), 3 (IT), and F (FI\$Cal). 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 (LPAs), solicitation of certified small businesses (SB) and disabled veteran business enterprises (DVBE), establishment of fair and reasonable pricing for acquisitions of less than \$10,000, 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 September 26, 2018 through January 31, 2019, we concluded that EAAP is conducting its delegated purchasing program in compliance with the terms and conditions of its delegation agreements. EAAP'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 EAAP'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 procurement files (SCM F, 1.A3.17 and 1.A4.2 and 2.A3.0); (2) including purchasing authority number on the purchase order (SCM F, 1.A1.5); (3) itemizing purchase order in sufficient detail to accurately describe the products and services ordered (SCM 3, 8.4.13 and 8.4.5); (4) correct procurement method (SCM 2 and 3, 2.B1.0); (5) referencing the GSPD-401 for Non-IT or IT Commodities (SCM 2, 4.B6.1 - 4.B6.2 and SCM 3, 4.B8.1 - 4.B8.2); (6) retaining seller's permit in the procurement file (SCM 2, 4B6.3); (7) verifying SB/DVBE certification status (SCM 2, 3.2.5 and SCM F, 3.A2.5); (8) determining a CUF will be performed prior to contract award (SCM 2, 3.2.6 - 3.2.7 and SCM F, 3.A2.6 - 3.A2.7); (9) referencing the LPA agreement number on the purchasing documents (SCM 2 and 3, Chapter 6-Overview-Introduction and STD. 65 Instructions #6); (10) maintaining a copy of the LPA contract including the contract cover page, price page, and user instructions (SCM 2 and 3, 6.A4.1 - 6.A4.2); (11) following the LPA user instructions and terms and conditions (SCM F, Chapter 5

Introduction; 5.A1.7 and 5.A1.10); and, (12) documenting the LPA procurement file thoroughly if less than three offers are obtained (SCM 2 and 3, 6.A3.6).

Prior to the completion of our audit, we verified that appropriate actions had been or were being taken to address the above issues. However, we did not perform effectiveness tests to determine whether the corrective actions were functioning as intended. EAAP's 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 2017/2018 and 2018/19 fiscal years. Our transaction tests included the review of 9 delegated procurements.

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

If you need further information or assistance on this report, please contact me at (916) 376-5054, or Monica De La Rosa, Management Auditor, at (916) 376-5050.



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cc: Martin Vazquez, Analyst, Education Audit Appeals Panel  
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