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To: Campbell Ingram, Executive Officer
Sacramento – San Joaquin Delta Conservancy
1450 Halyard Drive, Suite 6
West Sacramento, CA 95691

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 Sacramento – San Joaquin Delta Conservancy's (SSJDC) 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 SSJDC'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 of August 29, 2018 through December 11, 2018, we concluded that SSJDC is conducting its delegated purchasing program in compliance with the terms and conditions of its delegation agreements. SSJDC'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 SSJDC'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) proper classification of purchases (SCM F, 2.B2.0 – 2.B2.6); (2) proper documentation of Fair and Reasonable in the procurement file (SCM 2, 5.7.0 – 5.7.4); (3) use of appropriate LPA checklists to ensure proper documentation in the procurement file (SCM 3, 6.A4.1); (4) maintenance of a complete copy of the LPA contract including the contract cover page, price page, and user instructions (SCM 3, 6.A4.1 and 6.A4.2); (5) inclusion of the LPA number on the purchase document (SCM 3, 8.4.5); (6) inclusion of the State's General Provisions on the purchase document (SCM 2, 4.B6.2 and SCM 3, 4.B8.2); and (7) retention of the seller's permit in the procurement file (SCM 2, 4.B6.3).

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. SSJDC'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 fiscal year.

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

If you need further information or assistance on this report, please contact me at (916) 376-5054, or Miriam Cron, Management Auditor, at (916) 376-5063.

A handwritten signature in blue ink that reads "Olivia Haug". The signature is written in a cursive style.

OLIVIA M. HAUG
Manager, Office of Audit Services

Staff: Miriam Cron

cc: Debra Kustic, Deputy Executive Director, SSJDC
Purchasing Authority Management Section (PAMS), Procurement Division, DGS