



MEMORANDUM

Date: October 29, 2021 File No.: 1202

To: Brian Hebert, Executive Director
California Law Revision Commission
c/o UC Davis School of Law
400 Mrak Hall Drive
Davis, CA 95616

From: **Department of General Services**
Office of Audit Services

Subject: **AUDIT REPORT: DELEGATED PURCHASING PROGRAM**

Attached is the final report on our compliance audit of the California Law Revision Commission's (CLRC) delegated purchasing program. The objective of our audit was to determine that procurement transactions are being conducted in accordance with the terms and conditions of CLRC's purchasing authority delegation agreements with the Department of General Services (DGS), which include dollar threshold limits for various categories of procurements.

CLRC's written response to our draft report is included in this final report. The report also includes our evaluation of the response. We are pleased with the actions taken or proposed and commitments made to address our recommendations.

As part of its operating responsibilities, the Office of Audit Services is responsible for following up on audit recommendations. Therefore, please submit on your department's official letterhead a status report on the implementation of each recommendation to us by April 15, 2022.

The necessity of any further status reports will be determined at that time. Please transmit your status report to: DGS – Office of Audit Services, 707 3rd Street, 8th Floor, West Sacramento, CA 95605.

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

Brian Hebert

October 29, 2021

If you have any questions, please call me at (916) 376-5054, or Amalia H. Sanchez, Management Auditor, at (916) 376-5016.

Olivia Haug

OLIVIA HAUG
Manager, Office of Audit Services

Attachment

cc: Debora Larrabee, Chief of Administrative Services, CLRC
Purchasing Authority Management Section (PAMS), Procurement Division,
DGS

**GOVERNMENT OPERATIONS AGENCY
DEPARTMENT OF GENERAL SERVICES**

**AUDIT OF THE
CALIFORNIA LAW REVISION
COMMISSION**

**FOR COMPLIANCE WITH STATE
DELEGATED PURCHASING PROGRAM
REPORT NO. 1202**

OFFICE OF AUDIT SERVICES

OCTOBER 2021

**CALIFORNIA LAW REVISION COMMISSION
DELEGATED PURCHASING PROGRAM AUDIT
REPORT NO. 1202**

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STATE OF CALIFORNIA
DEPARTMENT OF GENERAL SERVICES
AUDITOR'S REPORT

DATE: October 29, 2021

TO: Brian Hebert, Executive Director
California Law Revision Commission

This report presents the results of our compliance audit of the delegated purchasing program of the California Law Revision Commission (CLRC). 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. The objective of our audit was to determine that procurement transactions are being conducted in accordance with the terms and conditions of CLRC's purchasing authority delegation agreements with DGS, which include dollar threshold limits for various categories of procurements. 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 \$10,000, use of CAL-Cards to pay for goods and services, and prompt payment of suppliers. Our audit was conducted in accordance with U.S. generally accepted auditing standards.

Overall, we concluded that CLRC is conducting its delegated purchasing program in compliance with the terms and conditions of its delegation agreement. However, as discussed under the Findings and Recommendations section of this report, we identified a number of areas for improvement that need to be addressed to fully comply with purchasing requirements. The implementation of the recommendations presented in this report will assist CLRC in addressing these issues.

During our review, we also identified other matters requiring attention that did not pose a significant risk to the delegated purchasing program, that we discussed with CLRC's management and are not further detailed in this report.

It should be noted that when advised of areas for improvement during our audit fieldwork, CLRC's management agreed to take action to address our concerns. We were pleased with the commitment shown to improve compliance with

state requirements. However, we did not perform effectiveness tests to determine whether the corrective actions were functioning as intended.

CLRC'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.

Your response to our recommendations as well as our evaluation of the response are included in this report.

We greatly appreciated the cooperation and assistance provided by CLRC personnel.

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

Olivia Haug

OLIVIA HAUG

Manager, Office of Audit Services

Staff: Amalia H. Sanchez, Management Auditor

Melissa Hambridge, Management Auditor

cc: Debora Larrabee, Chief of Administrative Services, CLRC
Purchasing Authority Management Section (PAMS), Procurement Division,
DGS

CALIFORNIA LAW REVISION COMMISSION

DELEGATED PURCHASING PROGRAM AUDIT

FINDINGS AND RECOMMENDATIONS

The following presents our detailed findings and recommendations developed based on our compliance audit of CLRC's delegated purchasing program. The state's delegated purchasing requirements are primarily contained in State Contracting Manual (SCM) Volumes 2 (Non-IT), 3 (IT), and F (FI\$Cal).

This information was developed based on our fieldwork conducted over the period of June 1, 2021 through September 22, 2021. 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 2020-21 fiscal year. Our transaction tests included the review of three delegated IT procurements.

DELEGATED PURCHASING PROGRAM

Overall, we concluded that CLRC has implemented a delegated purchasing program that ensures compliance with the state's primary procurement requirements, including those governing the obtaining of bids from multiple suppliers. However, our tests disclosed a number of areas for improvement that need to be addressed to fully comply with purchasing requirements.

Since the instances of noncompliance were discussed with responsible management and staff during our audit fieldwork, they are not detailed in this report. However, the types of exceptions noted with procurement transactions performed by CLRC staff involved either missing or inadequate procurement documentation for the following areas:

- Reporting to the Department of Fair Employment and Housing (DFEH) transactions over \$5,000 (SCM Vol.2, 8.2.7)
- The State Contract & Procurement Registration System (SCPRS) Reporting – Management Memo 16-03
- Purchasing Bottle Water without proper documentation – (SCM Vol.2, 2.C6.5)

RECOMMENDATIONS

Strengthen existing policies and procedures over its delegated purchasing program that includes the following areas:

1. Ensure staff is trained and knowledgeable for reporting purchases over \$5,000 to DFEH.
2. Report all acquisitions of goods and services into the California Department of Financial Information System for California (FI\$Cal) SCPRS.
3. Obtain documentation for the purchase of bottle water from the California Department of Public Housing (CDPH) and/or local city, county environmental management department(s), and/or DGS/RESD must be maintained in the procurement file.

CONCLUSION

Our findings and recommendations are presented to aid CLRC in administering its delegated purchasing program. CLRC should address the reported issues to assist in ensuring compliance with applicable state laws, policies and procedures.

CALIFORNIA LAW REVISION COMMISSION

c/o UC DAVIS SCHOOL OF LAW
DAVIS, CA 95616
530-752-3626



October 14, 2021

Olivia M. Haug
Department of General Services
707 3rd Street, 8th Floor
West Sacramento, CA 95605
SENT BY ELECTRONIC MAIL ONLY

**Re: Audit of the California Law Revision Commission for Compliance
with State Delegated Purchasing Authority Program, Report 1202**

Dear Ms. Haug:

As a very small agency, the Law Revision Commission is always grateful for the guidance of subject matter experts on matters of state agency administration. We greatly appreciate the careful review of our procurement practices that was conducted by your office. Your staff was very professional and helpful.

In response to your findings, we are taking the following remedial steps:

(1) The procurement file checklist, which is used to ensure that all necessary steps have been taken when conducting procurement, has been revised to include a checklist item for notifying DFEH of any purchase over \$5,000.

(2) The contracts that should have been entered into SCPRS will be entered. We will revise our internal procedures document to make the scope of this requirement clearer.

(3) We will obtain the necessary certification that drinking water is unavailable in our building and place it in the file as justification for the drinking water contract.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian Hebert".

Brian Hebert
Executive Director

File

CALIFORNIA LAW REVISION COMMISSION (CLRC)

EVALUATION OF CLRC'S RESPONSE

We have reviewed the response by the California Law Revision Commission (CLRC) to our draft report. The response to the recommendations is satisfactory. We appreciate the efforts taken or being taken by CLRC to improve its delegated purchasing functions.

As a part of our operating duties, we are responsible for following up on audit recommendations and will require a six-month status report on the implementation of those recommendations that have not been fully implemented. To the extent practical, supporting documentation should reflect the requirements stated in the Recommendations section in the report.