



MEMORANDUM

Date: September 29, 2026 File No.: 6200

To: Michelle Baass, Director
Department of Health Care Services
P.O. Box 997413, MS 0000
Sacramento, CA 95899-7413

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 Department of Health Care Services' (DHCS') delegated purchasing program. The objective of our audit was to determine whether procurement transactions are being conducted in accordance with the terms and conditions of DHCS' purchasing authority delegation agreements with the Department of General Services (DGS), which include dollar threshold limits for various categories of procurements.

DHCS' 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 the 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 March 29, 2027.

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 DHCS' personnel.

If you have any questions, please contact me at (279) 799-3759 or Monica.DeLaRosa@dgs.ca.gov, or Melissa Örtegren, Management Auditor, at (279) 799-3748 or Melissa.Ortegren@dgs.ca.gov.

A handwritten signature in black ink that reads "Monica De La Rosa". The script is cursive and fluid, with the first letters of each word being capitalized and prominent.

MONICA DE LA ROSA
Manager, Office of Audit Services

Attachment

cc: Wendy Rasmussen, Chief, Internal Audits, DHCS
Amanda Cortopassi, Chief, Procurement and Contracting Division, DHCS
Marissa Frederick, SSM II, Procurement and Contracting Division, DHCS
Collin Yee, SSM II, Procurement and Contracting Division, DHCS
Andy Won, Deputy Director, Office of Audit Services, DGS
Statewide Procurement Oversight and Consulting Unit (SPOC),
Procurement Division, DGS

**GOVERNMENT OPERATIONS AGENCY
DEPARTMENT OF GENERAL SERVICES**

**AUDIT OF THE
DEPARTMENT OF HEALTH CARE
SERVICES**

**FOR COMPLIANCE WITH STATE
DELEGATED PURCHASING PROGRAM
REPORT NO. 6200**

OFFICE OF AUDIT SERVICES

**MARCH 2026
(End of Fieldwork)**

**DEPARTMENT OF HEALTH CARE SERVICES
DELEGATED PURCHASING PROGRAM AUDIT
REPORT NO. 6200**

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STATE OF CALIFORNIA
DEPARTMENT OF GENERAL SERVICES
AUDITOR'S REPORT

DATE: September 29, 2026

TO: Michelle Baass, Director
Department of Health Care Services

This report presents the results of our compliance audit of the delegated purchasing program of the Department of Health Care Services (DHCS). As required by Public Contract Code Section 10333, at least once in each three-year period the Department of General Services (DGS) conducts an audit of each state agency to which purchasing authority has been delegated by the department. The objective of our audit was to determine whether procurement transactions are being conducted in accordance with the terms and conditions of DHCS' 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 (LPAs), solicitation of certified small businesses (SBs) and disabled veteran business enterprises (DVBEs), establishment of fair and reasonable pricing for acquisitions of less than \$20,000, use of CAL-Cards to pay for goods and services, and prompt payment of suppliers.

Overall, we concluded that DHCS 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 DHCS in addressing these issues.

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

It should be noted that when advised of areas for improvement during our audit fieldwork, DHCS' 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. 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.

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 DHCS' personnel.

If you need further information or assistance on this report, please contact me at (279) 799-3759 or Monica.DeLaRosa@dgs.ca.gov, or Melissa Örtegren, Management Auditor, at (279) 799-3748 or Melissa.Ortegren@dgs.ca.gov.



MONICA DE LA ROSA
Manager, Office of Audit Services

Staff: Melissa Örtegren, Management Auditor

cc: Wendy Rasmussen, Chief, Internal Audits, DHCS
Amanda Cortopassi, Chief, Procurement and Contracting Division, DHCS
Marissa Frederick, SSM II, Procurement and Contracting Division, DHCS
Collin Yee, SSM II, Procurement and Contracting Division, DHCS
Andy Won, Deputy Director, Office of Audit Services, DGS
Statewide Procurement Oversight and Consulting Unit (SPOC),
Procurement Division, DGS

DEPARTMENT OF HEALTH CARE SERVICES

DELEGATED PURCHASING PROGRAM AUDIT

FINDINGS AND RECOMMENDATIONS

The following presents our detailed findings and recommendations developed based on our compliance audit of DHCS' delegated purchasing program. The state's delegated purchasing requirements are primarily contained in Consolidated State Contracting Manual Volume 2 (SCM Vol. 2).

This information was developed based on our fieldwork conducted over the period of September 9, 2025 through March 30, 2026. 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 2025-26 fiscal year. Our transaction tests included the review of 40 delegated non-IT and IT procurements, including nine leveraged procurement agreement transactions.

DELEGATED PURCHASING PROGRAM

Overall, we concluded that DHCS 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 DHCS staff involved either missing or inadequate procurement documentation for the following areas:

- For competitive solicitations after 6/23/2022 the required Economic Sanctions language was incorrectly referenced within the solicitation (Broadcast Bulletin P-7-22, Executive Order N-6-22).
- The Bid/Quote Worksheet was not retained in the procurement file (SCM Vol. 2, Section 1405.2).

- The purchasing transaction file for leveraged procurement agreements did not include a copy of the contract price page (SCM Vol. 2, Section 1602).
- The transaction file did not include documentation of a valid seller's permit at the time of the award (SCM Vol. 2, Section 1403.3).
- The methodology used to determine fair and reasonable pricing was not done correctly (SCM Vol. 2, Section 1510).

RECOMMENDATIONS

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

1. Revise all standard solicitation templates to include the Economic Sanctions language as mandated by state directives to ensure consistency and compliance for all future solicitations.
2. Ensure established procurement checklists are consistently utilized and completed to verify that all required documentation is obtained and retained in each procurement file.

CONCLUSION

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

September 17, 2026

THIS LETTER SENT VIA EMAIL

Monica De La Rosa, Manager
Office of Audit Services
Department of General Services
707 3rd Street, 8th Floor
West Sacramento, CA 95605

RE: RESPONSE TO DGS' DRAFT AUDIT REPORT 6200

Dear Ms. De La Rosa,

The Department of Health Care Services (DHCS) hereby submits the enclosed response to the Department of General Services' (DGS) draft audit report number 6200, titled, "Audit of the Department of Health Care Services for Compliance with State Delegated Purchasing Program Report."

In the above draft audit report, the Department of General Services (DGS) issued five findings with two recommendations for DHCS. DHCS has reviewed all of DGS' recommendations and has prepared a response describing the nature of the corrective actions taken or planned.

DHCS is committed to strengthening its practices by implementing the recommendations outlined in the audit report and ensuring full compliance with state requirements. As part of this commitment, we continuously refine our processes as procurement policies evolve. In April 2026, DHCS implemented key recommended actions, including updating standard solicitation templates and procurement checklists to ensure all required documentation is consistently obtained and retained in each procurement file.

Ms. De La Rosa
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September 17, 2026

DHCS appreciates the work performed by DGS and the opportunity to respond to the draft audit report. If you have any questions, please contact the DHCS Office of Compliance, Internal Audits at (916) 261-0346.

Sincerely,



Michelle Baass
Director
Enclosure
Cc: See Next Page

Director's Office

1501 Capitol Avenue, MS 0000
Sacramento, CA 95899-7413
Phone (916) 440-7400 | www.dhcs.ca.gov

State of California
Gavin Newsom, Governor



Cc:

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State of California
Gavin Newsom, Governor





Department of Health Care Services

Report: *“Audit of the Department of Health Care Services for Compliance with State Delegated Purchasing Program.”*

External Entity: Department of General Services

Report Number: 6200 (26-05) (Delegated Purchasing Authority Audit)

Response Type: DHCS’ Responses to DGS’ Draft Audit Report

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Finding 1: For competitive solicitations after 06/23/2022 the required Economic Sanctions language was incorrectly referenced within the solicitation (Broadcast Bulletin P-7-22, Executive Order N-6-22).

Recommendation 1

Revise all standard solicitation templates to include the Economic Sanctions language as mandated by state directives to ensure consistency and compliance for all future solicitations.

What is DHCS' Response to the Recommendation? Concurrence

DHCS' Response:

Effective April 2026, DHCS completed revisions to all solicitation templates to include the most current Economic Sanctions Language. DHCS will include this reminder during an upcoming mandatory September 2026 training session for all staff within the Procurement and Contracting Division (PCD). Additionally, DHCS will also continue to monitor template usage and compliance standards to ensure updates are fully integrated and sustained across all future solicitations.

Finding 2: The Bid/Quote Worksheet was not retained in the procurement file (SCM Vol. 2, Section 1405.2).

Recommendation 2

Ensure established procurement checklists are consistently utilized and completed to verify that all required documentation is obtained and retained in each procurement file.

What is DHCS' Response to the Recommendation? Concurrence

DHCS' Response:

Effective April 2026, DHCS completed updates to all procurement checklists to ensure all documentation, including the Bid/Quote Worksheet, is retained in the procurement file. DHCS will also include this reminder during an upcoming mandatory September 2026 training session for all staff within the PCD to ensure checklists are consistently utilized and completed.

Finding 3: The purchasing transaction file for leveraged procurement agreements did not include a copy of the contract price page (SCM Vol. 2, Section 1602).

Recommendation 2

Ensure established procurement checklists are consistently utilized and completed to verify that all required documentation is obtained and retained in each procurement file.

What is DHCS' Response to the Recommendation? Concurrence

DHCS' Response:

All applicable procurement checklists have been updated to include instructional language that clearly states all required documentation, including a copy of the Contract Price Page, must be included within the procurement file. DHCS will also include this reminder during an upcoming mandatory September 2026 training session for all staff within the PCD to ensure checklists are consistently utilized and completed.

Finding 4: The transaction file did not include documentation of a valid seller's permit at the time of the award (SCM Vol. 2, Section 1403.3).

Recommendation 2

Ensure established procurement checklists are consistently utilized and completed to verify that all required documentation is obtained and retained in each procurement file.

What is DHCS' Response to the Recommendation? Concurrence

DHCS' Response:

All applicable procurement checklists have been updated to include instructional language that clearly states the seller's permit must be verified through California's Department of Tax and Fee Administration and a screenshot must be provided as documentation that is maintained within the procurement file. DHCS will also include this reminder during an upcoming mandatory September 2026 training session for all staff within the Procurement PCD to ensure checklists are consistently utilized and completed.

Finding 5: The methodology used to determine fair and reasonable pricing was not done correctly (SCM Vol. 2, Section 1510).

Recommendation 2

Ensure established procurement checklists are consistently utilized and completed to verify that all required documentation is obtained and retained in each procurement file.

What is DHCS' Response to the Recommendation? Concurrence

DHCS' Response:

The methodology used to determine Fair and Reasonable will be included in PCD's upcoming mandatory September 2026 training session for all staff, which will also cover the corresponding Fair and Reasonable documentation requirements.

DEPARTMENT OF HEALTH CARE SERVICES (DHCS)

EVALUATION OF DHCS' RESPONSE

We have reviewed the response by the Department of Health Care Services (DHCS) to our draft report. The response to the recommendations is satisfactory. We appreciate the efforts being taken by DHCS to improve its delegated purchasing functions.

As a part of our operating duties, DGS is 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.