



MEMORANDUM

Date: April 30, 2026 File No.: 5204

To: Subbarao Mupparaju, Chief Deputy Director
Department of FISCal
2000 Evergreen Street, Suite 100
Sacramento, CA 95815

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 FISCal's (FI\$Cal's) 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 FI\$Cal's purchasing authority delegation agreements with the Department of General Services (DGS), which include dollar threshold limits for various categories of procurements.

FI\$Cal'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 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 October 30, 2026.

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 FI\$Cal's personnel.

If you have any questions, please call me at (279) 799-3759 or via email at Monica.DeLaRosa@dgs.ca.gov.

Monica De La Rosa

MONICA DE LA ROSA
Manager, Office of Audit Services

Attachment

cc: Antonette Ramirez, Chief, Departmental Operations Office, FI\$Cal
Paris Loomis, Chief, Internal Controls and Compliance Section, FI\$Cal
Maggie Carmona, Internal Controls and Compliance Specialist, FI\$Cal
Peter Vu, Legal Counsel, FI\$Cal
Andy Won, Deputy Director, Office of Audit Services, DGS
Statewide Procurement Oversight & Consulting Unit (SPOC), Procurement
Division, DGS

**GOVERNMENT OPERATIONS AGENCY
DEPARTMENT OF GENERAL SERVICES**

**AUDIT OF THE
DEPARTMENT OF FISCAL**

**FOR COMPLIANCE WITH STATE
DELEGATED PURCHASING PROGRAM
REPORT NO. 5204**

OFFICE OF AUDIT SERVICES

**AUGUST 2025
(End of Fieldwork)**

**DEPARTMENT OF FISCAL
DELEGATED PURCHASING PROGRAM AUDIT
REPORT NO. 5204**

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STATE OF CALIFORNIA
DEPARTMENT OF GENERAL SERVICES
AUDITOR'S REPORT

DATE: April 30, 2026

TO: Subbarao Mupparaju, Chief Deputy Director
Department of FISCal

This report presents the results of our compliance audit of the delegated purchasing program of the Department of FISCal (FI\$Cal). 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 FI\$Cal'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 (LPAs), solicitation of certified small businesses (SBs) and disabled veteran business enterprises (DVBES), establishment of fair and reasonable pricing for acquisitions of less than \$10,000¹, use of CAL-Cards to pay for goods and services, and prompt payment of suppliers.

Overall, we concluded that FI\$Cal 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 few 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 FI\$Cal in addressing these issues.

During our review we also identified other matters requiring attention that did not pose a significant risk to FI\$Cal's delegated purchasing program. These issues were discussed with FI\$Cal's management and are not further detailed in this report.

¹ Fair and reasonable pricing threshold increased from \$10,000 to \$20,000 effective November 7, 2025.

It should be noted that when advised of areas for improvement during our audit fieldwork, FI\$Cal'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. FI\$Cal'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 FI\$Cal's personnel.

If you need further information or assistance with this report, please contact me at (279) 799-3759 or Monica.DeLaRosa@dgs.ca.gov.

Monica De La Rosa

MONICA DE LA ROSA
Manager, Office of Audit Services

Staff: Christine Pham, Management Auditor

cc: Antonette Ramirez, Chief, Departmental Operations Office, FI\$Cal
Paris Loomis, Chief, Internal Controls and Compliance Section, FI\$Cal
Maggie Carmona, Internal Controls and Compliance Specialist, FI\$Cal
Peter Vu, Legal Counsel, FI\$Cal
Andy Won, Deputy Director, Office of Audit Services, DGS
Statewide Procurement Oversight & Consulting Unit (SPOC), Procurement
Division, DGS

DEPARTMENT OF FISCAL
DELEGATED PURCHASING PROGRAM AUDIT
FINDINGS AND RECOMMENDATIONS

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

This information was developed based on our fieldwork conducted over the period of April 23, 2025 through August 21, 2025. 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 2024-25 fiscal year. Our transaction tests included the review of 17 delegated non-IT and IT procurements, including 5 leveraged procurement agreement transactions.

DELEGATED PURCHASING PROGRAM

Overall, we concluded that FI\$Cal 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 few 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 FI\$Cal staff involved either missing or inadequate procurement documentation for the following areas:

- SB/DVBE certification verifications for SB/DVBE bidders were either not verified timely or not verified, including those procurements using the SB/DVBE Option procurement method (SCM Vol. 2, Sections 1200, 1405.3).
- Lack of Commercially Useful Function (CUF) evaluations and determinations for the non-winning bidders in acquisitions that utilized the SB/DVBE Option procurement method (SCM Vol. 2, Sections 1200.1).
- Solicitations do not contain the required Russia economic sanction verbiage (Broadcast Bulletin P-7-22, Executive Order N-6-22).

- Missing or late verifications of suppliers' tax delinquency status from the CDTFA website (SCM Vol. 2, Section 605).
- Acquisitions utilizing the Fair and Reasonable (F&R) procurement method lacked supporting documents to demonstrate that the price paid was fair and reasonable (SCM Vol. 2, Section 1510).

RECOMMENDATIONS

Strengthen existing written procedures over FISCAL's delegated purchasing program and increase staff training to ensure purchases are in compliance with state requirements. Specifically:

1. Verify and retain in the procurement file the Office of Small Business and Disabled Veteran Business Enterprise Services (OSDS) certification printouts for all SB/DVBE bidders.
2. Determine CUF and document the analysis used for all SB/DVBE bidders.
3. Add the required Russia economic sanction verbiage to all solicitation templates.
4. Ensure the correct verbiage is included in the Procurement Policy and Procedure Manual concerning the Procurement Checklist and CDTFA tax delinquency verifications for both non-tangible goods and tangible goods.
5. Ensure that acquisitions using the F&R procurement method are supported with applicable documentation for the type of technique utilized.

CONCLUSION

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



Department of FISCAL
2000 Evergreen Street
Sacramento, CA 95815
(916) 576-4846

April 24, 2026

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

Subject: Department of FISCAL Response to the Auditor's Report for the Delegated Purchasing Compliance Audit

Ms. De La Rosa:

The Department of FISCAL (FI\$Cal) submits this correspondence in response to the Department of General Services' (DGS) Auditor's Report of FI\$Cal's delegated purchasing program. We appreciate DGS's conclusion that FI\$Cal is administering its delegated purchasing authority in alignment with the terms and conditions of the delegation agreement.

In response to DGS's recommendations, FI\$Cal implemented updates to its Procurement Policy and Procedure Manual (PPPM) and Procurement Checklist template. These updates were completed while working with the auditor during the audit field work to comply with purchasing requirements. We also provided additional training to our Procurement Section staff. FI\$Cal management will continue to monitor and provide additional support to staff as necessary to continue to be in alignment with the delegation agreement.

We appreciate the audit team's professionalism and partnership throughout this engagement. If you have questions, please contact Antonette Ramirez, Departmental Operations Office Chief, at (916) 576-5178 or antonette.ramirez@fiscal.ca.gov.

Best regards,

DocuSigned by:
A handwritten signature in black ink that reads "Subbarao Mupparaju".
40754B756924438...

SUBBARAO MUPPARAJU
Chief Deputy Director

cc: Antonette Ramirez, Chief, Departmental Operations Office, FI\$Cal



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Sacramento, CA 95815
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Rudy Jimenez, Chief, Procurements Section, FI\$Cal
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Andy Won, Deputy Director, Office of Audit Services, DGS Statewide
Procurement Oversight & Consulting Unit (SPOC), Procurement Division, DGS

**DEPARTMENT OF FISCAL
(FI\$CAL)**

EVALUATION OF FI\$CAL'S RESPONSE

We have reviewed the response by the Department of FISCAl (FI\$Cal) to our draft report. The response to the recommendations is satisfactory. We appreciate the efforts being taken by FI\$Cal 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.