



# MEMORANDUM

**Date:** October 23, 2012

File No. 0210

**To:** Deborah Raphael, Director  
Department of Toxic Substances Control  
1001 I Street, P.O. Box 806  
Sacramento, CA 95812-0806

**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 Department of Toxic Substances Control's (DTSC) 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. At the time of our audit, the DTSC had two purchasing authority delegations: No. 9G-0910-TSC-HQ1 governing non-information technology purchases and No. 9I-0910-TSC-HQ1 governing information technology (IT) purchases. 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 the DTSC's purchasing authority delegation agreements with the 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) and 3 (IT). 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 and disabled veteran business enterprises (DVBE), establishment of fair and reasonable pricing for acquisitions of less than \$5,000, use of CAL-Cards to pay for goods and services, and prompt payment of suppliers.

Overall, we concluded that the DTSC is conducting its delegated purchasing program in compliance with the terms and conditions of its delegation agreements. The DTSC'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 the DTSC'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 information on the waiver of the DVBE requirement within the bidder solicitation (SCM 2 and 3, 3.3.2); (2) referencing of the State's Bidder Instructions and General Provisions in all competitive solicitations (SCM 2, 4.B6.0 and 4.B6.1 and SCM 3, 4.B8.0 and 4.B8.1); (3) obtaining of bidder declaration forms from small businesses and DVBEs which assist in verifying the performance of a commercially useful function (SCM 2 and 3, 3.2.6); (4) obtaining of a copy of the supplier's sellers permit (SCM 2, 4.B6.3 and SCM 3, 4.B8.6); and, (5) prompt payment of suppliers (SCM 2 and 3, 9A.1.1). Further, leveraged procurement agreement transaction files did not always contain: information on the criteria used to determine best value (SCM 2 and 3, 6.A4.0); documentation supporting that multiple offers were solicited (SCM 2

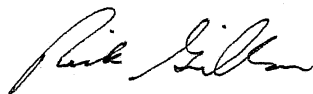
and 3, 6.A3.0); sufficient detail to support supplier selection when fewer than three offers were received (SCM 2 and 3, 6.A3.6); and, copies of the contract cover page and pricing page(s) (SCM 2 and 3, 6.A4.1).

Prior to the completion of our audit, we verified that appropriate actions had been or were being taken to address the above issues. Therefore, they are not further discussed in this report. We were pleased with the prompt actions taken by the DTSC to address findings identified during our audit fieldwork.

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 2009/10 and 2010/11 fiscal years. Our transaction tests included the review of 53 delegated procurements.

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

If you need further information or assistance on this report, please contact me at (916) 376-5058, or Andy Won, Audit Supervisor, at (916) 376-5052.



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