



MEMORANDUM

Date: July 7, 2022 File No.: 2201

To: Joshua Golka, Executive Director
California Public Employment Relations Board
1031 18th Street
Sacramento, CA 95811-4124

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 Public Employment Relations Board's (PERB) 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 PERB's purchasing authority delegation agreements with the Department of General Services (DGS), which include dollar threshold limits for various categories of procurements.

PERB'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 January 31, 2023.

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 PERB's personnel.

If you have any questions, please call me at (916) 376-5054, or Christine Pham, Management Auditor, at (279) 946-8608.

Olivia Haug

OLIVIA HAUG
Manager, Office of Audit Services

Attachment

cc: Susan Davey, Deputy Executive Director, PERB
Purchasing Authority Management Section (PAMS), Procurement Division,
DGS

**GOVERNMENT OPERATIONS AGENCY
DEPARTMENT OF GENERAL SERVICES**

**AUDIT OF THE
CALIFORNIA PUBLIC EMPLOYMENT
RELATIONS BOARD**

**FOR COMPLIANCE WITH STATE
DELEGATED PURCHASING PROGRAM
REPORT NO. 2201**

OFFICE OF AUDIT SERVICES

APRIL 2022

**CALIFORNIA PUBLIC EMPLOYMENT RELATIONS BOARD
DELEGATED PURCHASING PROGRAM AUDIT
REPORT NO. 2201**

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STATE OF CALIFORNIA
DEPARTMENT OF GENERAL SERVICES
AUDITOR'S REPORT

DATE: July 7, 2022

TO: Joshua Golka, Executive Director
California Public Employment Relations Board

This report presents the results of our compliance audit of the delegated purchasing program of the Public Employment Relations Board (PERB). 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 PERB'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 PERB 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 PERB 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 PERB'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, PERB's management took action or 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.

PERB'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 PERB's personnel.

If you need further information or assistance on this report, please contact me at (916) 376-5054, or Christine Pham, Management Auditor, at (279) 946-8608.

Olivia Haug

OLIVIA HAUG
Manager, Office of Audit Services

Staff: Christine Pham, Management Auditor

cc: Susan Davey, Deputy Executive Director, PERB
Purchasing Authority Management Section (PAMS), Procurement Division,
DGS

CALIFORNIA PUBLIC EMPLOYMENT RELATIONS BOARD

DELEGATED PURCHASING PROGRAM AUDIT

FINDINGS AND RECOMMENDATIONS

The following presents our detailed findings and recommendations developed based on our compliance audit of PERB'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 February 4, 2022 through April 20, 2022. 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 2021-22 fiscal year. Our transaction tests included the review of 16 delegated non-IT and IT procurements, including 5 leveraged procurement agreement transactions.

DELEGATED PURCHASING PROGRAM

Overall, we concluded that PERB 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.

It should be noted that though the frequency of occurrence is low in some cases for some types of noncompliance instances, when combined, the numerous instances indicate a weakness in the procurement program that warrants addressing. 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 PERB staff involved either missing or inadequate procurement documentation for the following areas:

- FTB and CDTFA tax delinquent checks not done or done late (SCM F, 2.B4.5)
- Seller's permit verification not in the file or verification done late (SCM F, 4.B3.3)
- SB/DVBE certification verification not current (SCM F, 3.A2.5)
- Bidder Declaration not current (SCM F, 3.A4.7)
- No Fair and Reasonable pricing documentation in the file (SCM F, 6.5.5,

6.9.0, 6.9.1, 6.9.2, 6.9.4)

- PO lacking a statement of work - SOW (SCM F, 2.B8.0, 2.B8.1)
- NCB process not properly completed (SCM F, 6.1.0, 6.2.1, 6.2.2)
- Nature of an emergency purchase not documented to support the emergency purchase (SCM F, 2.B10.0, 2.B10.1, 6.5.0)
- The LPA terms and conditions not referenced on the FI\$Cal PO or Std. 213 when the Std. 213 was used (SCM F, 5.A1.10)

It should be noted that vendor verifications and certifications are meant for the specific transaction that the bidder is bidding on and should be current for them to have any useful meaning.

RECOMMENDATIONS

Strengthen existing policies and procedures over PERB's delegated purchasing program that includes the areas noted above that were found to be insufficient. In addition, provide additional training to staff and require staff to attend training courses offered by DGS where applicable.

CONCLUSION

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



PERB
California Public Employment
Relations Board



June 28, 2022

Ms. Olivia Haug, Manager, Office of Audit Services
Department of General Services
707 3rd Street, 8th Floor
West Sacramento, CA 95605

Re: Audit Report: Delegated Purchasing Program

Dear Ms. Haug:

The California Public Employment Relations Board (PERB) has reviewed the Department of General Services, Office of Audit Services (DGS, OAS) draft Audit Report of the Delegated Purchasing Program provided on June 8, 2022. We are pleased that DGS, OAS review concluded that PERB is conducting its delegated purchasing program in compliance with our delegated purchasing authority. As a very small agency, PERB is always grateful for the guidance of subject matter experts on state agency administration.

In response to address the recommendations by DGS, OAS, the following corrective measures and practices are already in place for improvement:

Staff have been trained in the following areas:

- Vendor verifications and certifications are meant for the specific transaction that the bidder is bidding on and should be current for them to have any useful meaning.
- Adequate supporting documentation is in the procurement file by marking off items on the procurement checklist as they complete them.
- The LPA terms and conditions are referenced on the FI\$Cal PO or STD 213.

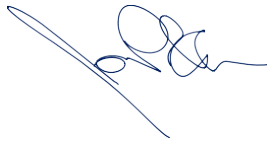
In addition, PERB has implemented an improved review process where additional levels of review take place prior to approving purchases. This review will ensure full compliance with each of the purchasing guidelines. In addition, quarterly internal audits will be implemented from samples of the procurement packages.

While these corrective measures have been taken as stated above, PERB still respectfully disagrees with the DGS, OAS findings with regard to one matter. The referenced Statement of Work was completed accurately and attached to the signed PO in compliance with SCM F, 6.7.2. In spite of these discussions with DGS, OAS, the finding remained reported.

PERB is committed to conducting its delegated purchasing program in compliance with DGS's procurement policies. PERB will continue to monitor and strengthen our procedures as needed based on our review of the findings with the information shared by DGS, OAS.

If you have any questions or need any additional information, please contact Oanh Tu, our Contracts and Procurement Manager, at (916) 298-7827 or Oanh.Tu@perb.ca.gov.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Oanh Tu', with a long horizontal line extending to the left.

Executive Director
California Public Employment Relations Board

cc: Susan Davey
Deputy Executive Director

CALIFORNIA PUBLIC EMPLOYMENT RELATIONS BOARD (PERB)

EVALUATION OF PERB'S RESPONSE

We have reviewed the response by the Public Employment Relations Board (PERB) to our draft report. We appreciate the efforts taken or being taken by PERB to improve its delegated purchasing functions. PERB cited SCM F, 6.7.2 disagreeing with our Statement of Work (SOW) finding, indicating, "the referenced Statement of Work was completed accurately and attached to the signed PO in accordance with SCM F, 6.7.2". It is precisely in SCM F, 6.7.2 that the State prohibits agencies from attaching the contractor's proposal to the PO. A contractor's proposal cannot replace a SOW. Consequently, to ensure compliance with SCM F, PERB needs to write its own SOW to contain the elements suggested in SCM F, 2.B8.1 - What to include in a SOW.

As 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, proof-of-practice, training plans, agendas, and supporting documentation should be specific and include excerpts, samples, screenshots and/or copies of the following:

- FTB and CDTFA tax delinquent checks
- Seller's permit verification
- SB/DVBE certification verification
- Bidder Declaration
- Fair and Reasonable pricing documentation
- Statement of work - SOW
- NCB process
- Nature of an emergency purchase properly documented
- Referencing the LPA terms and conditions on the PO