

Date: September 12, 2023 File No.: 3202

To: Steve Gordon, Director
Office of the Director
Department of Motor Vehicles
2414 First Avenue, MS – F101
Sacramento, CA 95818

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 Motor Vehicles' (DMV) 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 DMV's purchasing authority delegation agreements with the Department of General Services (DGS), which include dollar threshold limits for various categories of procurements.

DMV'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 March 11, 2024.

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 DMV's personnel.

If you have any questions, please call me at (916) 376-5054, or Melissa Hambridge, Management Auditor, at (279) 799-3748.

Olivia Haug

OLIVIA HAUG
Manager, Office of Audit Services

Attachment

cc: Robert Crockett, Deputy Director, Administrative Services Division (ASD)
Gini Corbitt, Chief Audit Executive, Audit Office
Deborah Casey, Chief, Business Management Branch
Leanna Sinibaldi, Supervising Management Auditor, Audit Office
Purchasing Authority Management Section (PAMS), Procurement Division,
DGS

**GOVERNMENT OPERATIONS AGENCY
DEPARTMENT OF GENERAL SERVICES**

**AUDIT OF THE
DEPARTMENT OF MOTOR
VEHICLES**

**FOR COMPLIANCE WITH STATE
DELEGATED PURCHASING PROGRAM
REPORT NO. 3202**

OFFICE OF AUDIT SERVICES

SEPTEMBER 2023

**DEPARTMENT OF MOTOR VEHICLES
DELEGATED PURCHASING PROGRAM AUDIT
REPORT NO. 3202**

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STATE OF CALIFORNIA
DEPARTMENT OF GENERAL SERVICES
AUDITOR'S REPORT

DATE: September 12, 2023

TO: Steve Gordon, Director
Department of Motor Vehicles

This report presents the results of our compliance audit of the delegated purchasing program of the Department of Motor Vehicles (DMV). 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 DMV'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 DMV 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 DMV in addressing these issues.

During our review we also identified other matters requiring attention that did not pose a significant risk to DMV's delegated purchasing program. We discussed these issues with DMV's 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, DMV'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. DMV'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 DMV's personnel.

If you need further information or assistance on this report, please contact me at (916) 376-5054, or Melissa Hambridge, Management Auditor, at (279) 799-3748.

Olivia Haug

OLIVIA HAUG
Manager, Office of Audit Services

Staff: Melissa Hambridge, Management Auditor
Amalia H. Sanchez, Management Auditor

cc: Robert Crockett, Deputy Director, ASD
Gini Corbitt, Chief Audit Executive, Audit Office
Deborah Casey, Chief, Business Management Branch
Leanna Sinibaldi, Supervising Management Auditor, Audit Office
Purchasing Authority Management Section (PAMS), Procurement Division,
DGS

DEPARTMENT OF MOTOR VEHICLES

DELEGATED PURCHASING PROGRAM AUDIT

FINDINGS AND RECOMMENDATIONS

The following presents our detailed findings and recommendations developed based on our compliance audit of DMV'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 February 15, 2023 through July 27, 2023. 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 2022 - 23 fiscal year. Our transaction tests included the review of 44 delegated non-IT and IT procurements, including 12 leveraged procurement agreement transactions.

DELEGATED PURCHASING PROGRAM

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

- Incorrect procurement method was marked on the Std. 65 (SCM Vol. 2, Section 303)
- The Std. 65/215 was not signed by someone in accounting with signature authority (SCM Vol. 2, Section 1804)

- The required Economic Sanctions Language was not included in competitive solicitations dated after 6/23/22 (Executive Order N-6-22)
- No evidence on file that FTB and CDTFA websites were verified that the contractor was not on a prohibited list prior to executing the contracts (SCM Vol. 2, Section 605)
- No evidence on file that solicitations were created for transactions (SCM Vol. 2, Section 1405.1)
- No evidence of an approved Signature Authority Memorandum on file (SCM Vol. 2, Section 1804)
- State's General Provisions not correctly incorporated on the Std. 65 (SCM Vol. 2, Section 1403.3)
- State's General Provisions were not included in the solicitation (SCM Vol. 2, Section 1403.3)
- A signed Certification of Compliance with State IT Policies for IT Transactions over \$5,000 was not in the transaction file (SCM Vol. 2, Section 1013)
- Purchase Order start/end dates do not match the dates on FI\$Cal-SCPRS (SCM Vol. 2, Section 2200.1)
- Quantities on Purchase Order do not match quantities entered into FI\$Cal-SCPRS (SCM Vol. 2, Section 2200.1)
- Incorrect acquisition method entered into FI\$Cal-SCPRS (SCM Vol. 2, Section 2200.1)
- A signed Confidentiality Statement was not included in the file for a competitive solicitation (SCM Vol. 2, Section 1402.1)
- For procurements over \$5,000, the Std. 65 was not reported to DFEH (SCM Vol. 2, Section 2200.4)
- For SB/DVBE transactions, a valid OSDS certification was not documented in the file (SCM Vol. 2, Section 1200)

- For SB/DVBE transactions, the buyer did not determine Commercially Useful Function (CUF) and document analysis used prior to the award (SCM Vol. 2, Section 1200.1)
- A signed Bidder Declaration Form was not in the transaction file (SCM Vol. 2, Section 1202)
- All of the dollar costs identified on the purchase order were not entered accurately in FI\$Cal-SCPRS (SCM Vol. 2, Section 2200.1)
- SB/DVBE certification data was not entered in correctly into FI\$Cal-SCPRS (SCM Vol. 2, Section 2200.1)

Leveraged Procurement Agreement (LPA) proper documentation:

- o No evidence on file that FTB and CDTFA websites were verified that the contractor was not on a prohibited list prior to executing the contracts (SCM Vol. 2, Section 605)
- o Start and end dates on the Std. 65/213 do not match the dates on FI\$Cal-SCPRS (SCM Vol. 2, Section 2200.1)
- o Dollar costs identified on the Std. 65/213 were not entered accurately in FI\$Cal-SCPRS (SCM Vol. 2, Section 2200.1)
- o Quantities on Purchase Order do not match quantities entered into FI\$Cal-SCPRS (SCM Vol. 2, Section 2200.1)
- o The purchase order was not signed by approving official (SCM Vol. 2, Section 1804)
- o The Std. 65/215 was not signed by someone in accounting with signature authority (SCM Vol. 2, Section 1804)
- o No evidence of an approved Signature Authority Memorandum on file (SCM Vol. 2, Section 1804)

RECOMMENDATIONS

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

1. Enter quantities, dates and dollar cost from the Std. 65/213 accurately into FI\$Cal – SCPRS; using correct revision date for the State's General Provisions; FTB and CDTFA verifications; including solicitations regardless of format (phone, RFQ, IFB, RFP); properly classifying the procurement; an approved signature authority memorandum on file; A signed "Certification of Compliance with State IT Policies" (SIMM 71B) in the procurement file for IT Transactions valued over \$5,000; procurements over \$5,000 are reported to DFEH; a signed Confidentiality Statement is included in the file for a competitive solicitation; SB/DVBE transactions have a valid OSDS certification documented in the file and Commercially Useful Function (CUF) is determined and documents analysis used prior to the award; ensure all purchase document are signed by the approving official.
2. All Std. 65s must be signed by someone in accounting with delegated purchasing signature authority approving the availability of funds.

CONCLUSION

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

Memorandum

Date : August 23, 2023

To : Department of General Services (DGS)
Audits Office

From : Department of Motor Vehicles (DMV)
Administrative Services Division (ASD)

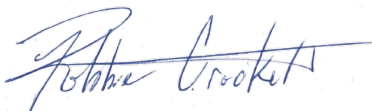
Subject : 2023 Delegated Purchasing Program Audit

DMV ASD's Business Management Branch is responding to findings from the 2023 DGS audit of the Delegated Purchasing Program. The auditor's report identified a number of areas that require improvement to ensure full compliance with purchasing requirements.

DMV agrees with the importance of complying with state policies, laws and purchasing requirements. In order to strengthen our program and reduce the risk of additional occurrences in the future, DMV will update policies and procedures as needed and provide additional training to our procurement team.

To address each of the findings identified by the auditors, DMV has attached a listing to reflect the Corrective Action Plan that will be implemented to strengthen DMV's purchasing program.

If you have any questions regarding this memo, please contact Debbie Casey, of my staff, at (916) 818-5258.



ROBBIE CROCKETT, Deputy Director
Administrative Services Division

**DEPARTMENT OF MOTOR VEHICLES
DELEGATED PURCHASING PROGRAM AUDIT
AUDIT FINDINGS/RESPONSES**

AUDIT FINDING		DEPARTMENT OF MOTOR VEHICLE (DMV) RESPONSE
1	Incorrect procurement method was marked on the Std. 65 (SCM 2, Section 303)	By October 2023, Management will remind staff regarding the proper classification process.
2	The Std. 65/215 was not signed by someone in accounting with signature authority (SCM 2, Section 1804)	A meeting is scheduled with DMV's Accounting Office in September 2023 to discuss the implementation plan for Accounting's signature on the Std. 65s. The estimated implementation date for Accounting's signature is October 2023.
3	The required Economic Sanctions Language was not included in competitive solicitations dated after 6/23/22 (Executive Order N-6-22)	The Economic Sanctions language was included in the Std. 65 but not the solicitation. Solicitation templates will be updated by October 2023 to reflect the correct language.
4	No evidence on file that FTB and CDTFA websites were verified that the contractor was not on a prohibited list prior to executing the contracts (SCM 2, Section 605)	Buyers are required to check the website and put the date on the checklist; however, this was overlooked. The checklist has been revised and buyers will now print a copy for the procurement file.
5	No evidence on file that solicitations were created for transactions (SCM 2, Section 1405.1)	Buyers have been reminded to save the emails for all issued solicitations to the procurement file; the email will reflect the vendors on the bcc.
6	No evidence of an approved Signature Authority Memorandum on file (SCM 2, Section 1804)	DMV Budget Office retained the list of signature authority documents. This list is not sufficient per SCM V2; the signature authority document was approved by the Director in May 2023 and provided to DGS.
7	State's General Provisions not correctly incorporated on the Std. 65 (SCM 2, Section 1403.3)	Technical issues with DMV's Filemaker Pro Database – the new GPs were updated on the screen viewed by the buyers, but the printed version (PDF) showed the old date/link; this was corrected as soon as it was discovered.
8	State's General Provisions were not included in the solicitation (SCM 2, Section 1403.3)	By October 2023, Management will remind buyers to include appropriate GPs in solicitations.
9	A signed Certification of Compliance with State IT Policies for IT Transactions over \$5,000 was not in the transaction file (SCM 2, Section 1013)	These are both non-IT orders that DGS states should be IT which is why no SIMM 71B was included in the procurement file. DMV will have these orders processed by

**DEPARTMENT OF MOTOR VEHICLES
DELEGATED PURCHASING PROGRAM AUDIT
AUDIT FINDINGS/RESPONSES**

AUDIT FINDING		DEPARTMENT OF MOTOR VEHICLE (DMV) RESPONSE
		IT in the future. Management will remind staff by October 2023 regarding the proper classification process.
10	Purchase Order start/end dates do not match the dates on FI\$Cal-SCPRS (SCM 2, Section 2200.1)	Human error – By October 2023, management will remind buyers to double check entries as well as approvers when reviewing.
11	Quantities on Purchase Order do not match quantities entered into FI\$Cal-SCPRS (SCM 2, Section 2200.1)	Purchase order lines in Oracle – DMV must flip quantities and price in order for Accounting to make multiple payments on the line thus quantity and price are not reflected correctly on the Std. 65; in addition, if there are many lines, orders sometimes only show one line in SCPRS, but it should be multiple lines. Management will remind buyers by October 2023 to make sure that they key all lines into SCPRS.
12	Incorrect acquisition method entered into FI\$Cal-SCPRS (SCM 2, Section 2200.1)	One order was purchased as non-IT; however, DGS Audits states the order should be IT; the other is an IT order which DGS indicates is not using the correct procurement method. Management will remind staff by October 2023 regarding the proper classification process.
13	A signed Confidentiality Statement was not included in the file for a competitive solicitation (SCM 2, Section 1402.1)	Confidentiality Statements are on file for competitive bids conducted through DGS and CDT; however, not for competitive bids conducted by DMV. By October 2023, Management will remind buyers to obtain confidentiality statements for competitive bids conducted by DMV.
14	For procurements over \$5,000, the Std. 65 was not reported to DFEH (SCM 2, Section 2200.4)	By October 2023, Management will remind buyers/approvers to send to DFEH.
15	For SB/DVBE transactions, a valid OSDS certification was not documented in the file (SCM 2, Section 1200)	By October 2023, Management will remind buyers/approvers to verify this document is in file.
16	For SB/DVBE transactions, the buyer did not determine Commercially Useful Function (CUF) and	By October 2023, Management will remind buyers/approvers to verify this document is in file.

**DEPARTMENT OF MOTOR VEHICLES
DELEGATED PURCHASING PROGRAM AUDIT
AUDIT FINDINGS/RESPONSES**

AUDIT FINDING		DEPARTMENT OF MOTOR VEHICLE (DMV) RESPONSE
	document analysis used prior to the award (SCM 2, Section 1200.1)	
17	A signed Bidder Declaration Form was not in the transaction file (SCM 2, Section 1202)	By October 2023, Management will remind buyers/approvers to verify this document is in the procurement file.
18	All of the dollar costs identified on the purchase order were not entered accurately in FI\$Cal-SCPRS (SCM 2, Section 2200.1)	Oracle requires the quantity and price to be flipped to make multiple payments; management will remind buyers to indicate more info in subject description when this occurs. By October 2023, Management will also remind buyers to breakdown all lines in SCPRS to match the Std. 65.
19	SB/DVBE certification data was not entered in correctly into FI\$Cal-SCPRS (SCM 2, Section 2200.1)	By October 2023, Management will remind buyers to correctly enter data in SCPRS and approvers to double check when reviewing.
	Leveraged Procurement Agreement (LPA) proper documentation:	
1	No evidence on file that FTB and CDTFA websites were verified that the contractor was not on a prohibited list prior to executing the contracts (SCM 2, Section 605)	Buyers are required to check the website and put the date on the checklist; however, this was overlooked. The checklist has been revised and buyers will now print a copy for the procurement file.
2	Start and end dates on the Std. 65/213 do not match the dates on FI\$Cal-SCPRS (SCM 2, Section 2200.1)	Human error – By October 2023, management will remind buyers to double check entries as well as approvers when reviewing.
3	Dollar costs identified on the Std. 65/213 were not entered accurately in FI\$Cal-SCPRS (SCM 2, Section 2200.1)	Oracle requires the quantity and price to be flipped to make multiple payments; management will remind buyers to indicate more info in subject description when this occurs. By October 2023, Management will also remind buyers to breakdown all lines in SCPRS to match the Std. 65.

**DEPARTMENT OF MOTOR VEHICLES
DELEGATED PURCHASING PROGRAM AUDIT
AUDIT FINDINGS/RESPONSES**

AUDIT FINDING		DEPARTMENT OF MOTOR VEHICLE (DMV) RESPONSE
4	Quantities on Purchase Order do not match quantities entered into FI\$Cal-SCPRS (SCM 2, Section 2200.1)	Oracle requires the quantity and price to be flipped to make multiple payments; management will remind buyers to indicate more info in subject description when this occurs. By October 2023, Management will also remind buyers to breakdown all lines in SCPRS to match the Std. 65.
5	The purchase order was not signed by approving official (SCM 2, Section 1804)	Human error – By October 2023, management and buyers will double check that the authorized signature is signed by an approving official.
6	The Std. 65/215 was not signed by someone in accounting with signature authority (SCM 2, Section 1804)	A meeting is scheduled with DMV's Accounting Office in September 2023 to discuss the implementation plan for Accounting's signature on the Std. 65s. The estimated implementation date for Accounting's signature is October 2023.
7	No evidence of an approved Signature Authority Memorandum on file (SCM 2, Section 1804)	DMV Budget Office retained the list of signature authority documents. This list is not sufficient per SCM V2; the signature authority document was approved by the Director in May 2023 and provided to DGS.

**DEPARTMENT OF MOTOR VEHICLES
(DMV)**

EVALUATION OF DMV'S RESPONSE

We have reviewed the response by the Department of Motor Vehicles (DMV) to our draft report. The response to the recommendations is satisfactory. We appreciate the efforts taken or being taken by DMV 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.