DGS
GENERAL SERVICES

MEMORANDUM

Date: January 8, 2013 File No. 2201

To: Carlos Ramos, Secretary
California Technology Agency
P.O. Box 1810
Rancho Cordova, CA 95741-1810

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 California Technology Agency's (CTA) 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 CTA had two purchasing authority delegations: No. 9G-0711-CIO-HQ1 governing non-information technology purchases and No. 9I-0711-CIO-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 CTA'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, 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.

Based on the results of our fieldwork conducted over the period August 4, 2011 through November 17, 2011, we concluded that the CTA is conducting its delegated purchasing program in compliance with the terms and conditions of its delegation agreements. The CTA'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 CTA'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) obtaining of a copy of the supplier's sellers permit for IT goods transactions (SCM 3, 4.B8.6); (2) implementing of processes to ensure compliance with the Darfur Contracting Act (SCM 2, 2.B3.12); and, (3) use of delegated purchasing policies and procedures to procure non-IT services (SCM 2, 2.B1.6).

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 CTA 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 2010/11 and 2011/12 fiscal years. Our transaction tests included the review of 79 delegated procurements.

We greatly appreciated the cooperation and assistance provided by the CTA'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.

RICK GILLAM, CPA, CIA
Chief, Office of Audit Services

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