DGS
GENERAL SERVICES

# MEMORANDUM

**Date:** September 30, 2013 File No. 2203

**To:** David Muraki, Director
California Conservation Corps
1719 24th Street
Sacramento, CA 95816

**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 Conservation Corps' (CCC) 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, CCC had two purchasing authority delegations: No. 9G-0612-CCC-HQ1 governing non-information technology purchases and No. 9I-0612-CCC-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 CCC's purchasing authority delegation agreements with 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 CCC has implemented a delegated purchasing program that ensures compliance with the state's primary procurement requirements. However, as noted below, we identified a number of areas for improvement that need to be addressed to fully comply with the terms and conditions of its delegation agreements.

During our review we identified a number of areas for improvement within CCC'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) 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); (3) notification of the Department of Fair Employment and Housing of purchase awards in excess of $5,000 (SCM 2 and 3, 12.B3.0); (4) obtaining of a copy of the supplier's sellers permit (SCM 2, 4.B6.3 and SCM 3, 4.B8.6); (5) implementing of processes to ensure compliance with the Darfur Contracting Act (SCM 2, 2.B3.12); (6) establishment of fair and reasonable pricing for transactions of less than $5,000, including CAL-Card payment transactions (SCM 2, 4.C1.0 and SCM 3, 4.C2.0); and, (7) prompt payment of suppliers (SCM 2 and 3, 9A.1.1). Further, we

noted IT transactions that exceeded the maximum delegated amount of $4,999.99 for competitive procurements and leveraged procurement agreement transaction files that did not contain copies of the contract cover page and pricing page(s) (SCM 2 and 3, 6.A4.1).

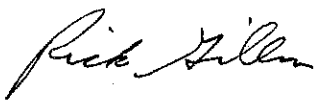
Prior to the completion of our audit, we verified that appropriate actions had been or were being taken to address the above issues. Therefore, they are not further discussed in this report.

We were pleased with the prompt actions taken or being taken to address findings identified during our audit fieldwork. However, we did not perform effectiveness tests to determine whether the corrective actions were functioning as intended. CCC's management has the ongoing responsibility for ensuring that delegated purchasing policies and procedures are functioning as prescribed and are modified, as appropriate, for changes in conditions.

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 44 delegated procurements.

We greatly appreciated the cooperation and assistance provided by CCC'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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