DGS
GENERAL SERVICES

MEMORANDUM

Date: October 19, 2010 File No. 0203

To: A. G. Kawamura, Director
California Department of Food and Agriculture
MS Code B-16
1220 N Street, Room 409
Sacramento, CA 95814

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 Department of Food and Agriculture's (CDFA) 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. The DPR has two purchasing authority delegations: No. 9G-0110-FDA-HQ1 governing non-information technology purchases and No. 9I-0110-FDA-HQ1 governing information technology 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 CDFA'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)[1]. 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 September 22, 2009 through November 18, 2009, we concluded that the CDFA is conducting its delegated purchasing program in compliance with the terms and conditions of its delegation agreements. The CDFA'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 CDFA's delegated purchasing program. These areas included our concern that policies and procedures were not ensuring full compliance with SCM provisions governing the: (1) referencing of the State's Bidder Instructions and General Provisions in all non-IT competitive solicitations (written or verbal) (SCM 2, 4.B6.0 and 4.B6.1); (2) maintenance of information on the waiver of the DVBE requirement for a specific non-IT solicitation (SCM 2, 3.3.2): and, (3) maintenance of

[1] The criteria references in this report are those contained in the July 2010 version of SCM Volumes 2 and 3. The same numbering system is used for each volume: chapter, section (if applicable), topic, and information block.

documentation that either two price quotations were received or fair and reasonable pricing established for CAL-Card payment transactions of less that $5,000 (SCM 2 and 3, 9.B6.2).

Since the issues noted above are not significant to the CDFA's overall delegated purchasing program, they are not further discussed in this report. However, during our audit fieldwork they were discussed with the CDFA's management who immediately began taking action to address our concerns.

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 2008/09 and 2009/10 fiscal years.

We greatly appreciated the cooperation and assistance provided by the CDFA'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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