

Date: July 3, 2019

File No.: 9209

To: **Mary Sandy**, Ed.D., Executive Director
Commission on Teacher Credentialing
1900 Capitol Avenue
Sacramento, CA 95811-4213

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 California Commission on Teacher Credentialing's (CTC) 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 CTC's purchasing authority delegation agreements with DGS, which include dollar threshold limits for various categories of procurements.

CTC'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 a status report on the implementation of each to us by December 31, 2019.

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 or preferably via e-mail to Olivia.Haug@dgs.ca.gov.

We greatly appreciated the cooperation and assistance provided by CTC's personnel.

If you have any questions, please call / email me at (916) 376-5054 / Olivia.Haug@dgs.ca.gov, or Christine Pham, Management Auditor, at (916) 376-5060 / Christine.Pham@dgs.ca.gov.



OLIVIA HAUG
Manager, Office of Audit Services

Attachment

cc: Michele Perrault, Director, Division of Administrative Services, CTC
Israel Cisneros-Cruz, Staff Services Manager, Fiscal Business Services, CTC
Purchasing Authority Management Section (PAMS), Procurement Division, DGS

**GOVERNMENT OPERATIONS AGENCY
DEPARTMENT OF GENERAL SERVICES**

**AUDIT OF THE
CALIFORNIA COMMISSION ON
TEACHER CREDENTIALING
(CTC)**

**FOR COMPLIANCE WITH STATE
DELEGATED PURCHASING PROGRAM
REPORT NO. 9209**

OFFICE OF AUDIT SERVICES

APRIL 2019

**CALIFORNIA COMMISSION ON TEACHER CREDENTIALING
DELEGATED PURCHASING PROGRAM AUDIT
REPORT NO. 9209**

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STATE OF CALIFORNIA
DEPARTMENT OF GENERAL SERVICES
AUDITOR'S REPORT

DATE: July 3, 2019

TO: **Mary Sandy**, Ed.D., Executive Director
California Commission on Teacher Credentialing

This report presents the results of our compliance audit of the delegated purchasing program of the California Commission on Teacher Credentialing (CTC). 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 CTC'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 CTC 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 CTC in addressing these issues.

During our review we also identified other matters requiring attention that we discussed with CTC's management but are not included in this report.

It should be noted that when advised of areas for improvement during our audit fieldwork, CTC'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. CTC'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 recommendation as well as our evaluation of the response are included in this report.

We greatly appreciated the cooperation and assistance provided by CTC'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 (916) 376-5060.

A handwritten signature in blue ink that reads "Olivia Haug". The signature is written in a cursive, flowing style.

OLIVIA HAUG
Manager, Office of Audit Services

Staff: Christine Pham, Management Auditor
Le Han, Management Auditor

cc: Michele Perrault, Director, Division of Administrative Services, CTC
Israel Cisneros-Cruz, Staff Services Manager, Fiscal Business Services, CTC
Purchasing Authority Management Section (PAMS), Procurement Division, DGS

CALIFORNIA COMMISSION ON TEACHER CREDENTIALING (CTC)

DELEGATED PURCHASING PROGRAM AUDIT

FINDINGS AND RECOMMENDATIONS

The following presents our detailed findings and recommendations developed based on our compliance audit of CTC'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 January 10, 2019 through April 26, 2019. 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 2018/19 fiscal year. Our transaction tests included the review of 18 delegated non-IT and IT procurements, including 9 leveraged procurement agreement transactions.

DELEGATED PURCHASING PROGRAM

Overall, we concluded that CTC 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.

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 transactions performed by CTC staff involved procurement transactions files that did not always include:

- Commercially Useful Function (CUF) evaluation and determination for all small business (SB) and disabled veteran business enterprise (DVBE) contractors, subcontractors and suppliers that bid on or participate in a state contract (SCM F, 3.A2.6 and 3.A2.8)
- Documentation that FTB and CDTFA websites have been checked to verify the contractor is not on a prohibited list (SCM F, 2.B4.5)
- Usage of forms STD. 213 and STD. 215 for IT services (SCM 3, 8.5.0 and 8.5.2)
- Leveraged Procurement Agreement (LPA) proper documentation:
 - o Accurate LPA number on the purchase order (PO) (STD. 65, Instructions for Completing the Purchasing Authority Purchase Order)
 - o Reference to the LPA terms and conditions on the PO when the order was placed under an LPA (STD. 65, Instructions for Completing the Purchasing Authority Purchase Order)
 - o The complete LPA or the location of the complete LPA documented in the procurement file (SCM 3, 6.A4.2)
 - o The LPA pricing pages supporting each item purchased (SCM F – Chapter 5 Resources, LPA File Documentation Checklist, SCM F, 5.A1.5)

- Purchasing language required in the LPA user instructions (SCM F, 5.A1.7, LPA User's Instructions)
- Accurate product code of the items purchased (SCM F, 5.A1.5)
- Documentation of multiple offers as applicable (SCM F, 5.A2.0, LPA User's Instructions)
- Documentation of best value as applicable (SCM F, 5.A2.2)
- Complete and signed Certification of Compliance with State IT Policies (SCM F, 2.E5.0)

To address the audit findings, CTC's management met with procurement staff and provided them with written guidance to reinforce their processes. They also redesigned their templates to enhance clarity, obtained missing signatures on certain forms, and explored correction opportunities in FI\$Cal. We acknowledge and appreciate the corrective actions that are being taken by CTC.

Recommendation

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

1. Increase staff training and reinforce peer reviews over:
 - Usage of correct PO/contract forms
 - Data accuracy in PO (LPA number, reference to terms and conditions, product code)
 - Ensuring LPA user instructions are being followed
 - Multiple offers and best values requirements are being met
2. Include in the procurement process the requirement of CUF evaluation for participating SB/DVBE bidders.
3. Verify tax non-delinquency for every procurement and ensure that the revised PO checklists, which include this requirement, are completed.
4. Maintain the LPA in the procurement file, including relevant/applicable LPA price and/or GSA schedule.

CONCLUSION

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



Commission on Teacher Credentialing

1900 Capitol Avenue Sacramento, CA 95811 (916) 322-6253 Fax (916) 445-0800 www.ctc.ca.gov

Office of the Executive Director

June 14, 2019

Subject: Response to Audit Report

To Whom It May Concern:

As the Executive Director of the Commission on Teacher Credentialing, I would like to extend my gratitude for the audit services conducted as it has proven to be a very positive learning experience for everyone involved. As a result of this process, the Fiscal and Business Services Division has updated and revised procedures to address the findings presented by the Department of General Services audit team.

The changes currently in process are itemized in the attached Statement of Procurement Corrective Action, which was submitted to the auditors and is referenced in their report. The corrective action plan provides a clear directive focused on addressing each of the deficiency items identified by the audit team. Additionally, the feedback received from the Commission's Administrative Services Division Director supports the commitment of the Procurement team to ensure that deficiencies in processes are addressed moving forward.

To name a few of our corrective efforts, peer reviews have been refined to prevent any missed steps by the contract analysts during the various review processes. The recent implementation of the Commission's Execution Cover Sheet has resulted in more accuracy when entering the procurement data into Fi\$Cal. Checklist modifications will ensure that all applicable factors are addressed prior to executing a purchase order. Rather than leaving an item blank, the expectation is that all line items shall have a check, with the addition of "N/A" if an item is not applicable so there is no room for assumptions.

In reviewing the audit report, it was noteworthy that, in general, the procurement transactions have been compliant with established terms and conditions, which reinforces my confidence in the ability of the Procurement Team to address the identified issues. The Procurement Team has a proven track record of striving to improve when an area of weakness has been identified. Management will provide evidence of improvement, with status updates to the Administrative Services Division Director and a final report of compliance will be submitted to the Department of General Services' audit team in December 2019.

Thank you again for the detailed evaluation and opportunity to improve and strengthen the work done by the Commission's Fiscal and Business Services Division.

Sincerely,

Mary Vixie Sandy, Ed.D.
Executive Director

Attachments: Statement of Procurement Corrective Action

Statement of Procurement Corrective Action

The recent audit of the Commission on Teacher Credentialing (Commission)'s goods (IT and non-IT) and IT services identified areas of improvement related to the department's processes. Many of the files had similar findings so these will be addressed instead by category.

Accuracy

It is vital that all files are complete and thorough. A trend of inaccurately checked boxes and failure to clear data from previous procurements has resulted in a number of errors. To avoid this, moving forward, there will be documents in template formats that will prompt the user to "Save as" and place the document in the appropriate folder rather than inadvertently passing on information from previous uses. The use of these templates is mandatory and this will be further detailed at a later time. The emphasis in this category is to verify the correct boxes are checked, the correct terms are referenced, the correct procurement method checked, the correct details listed on the bid-quote worksheet and that the checklists are fully utilized to protect us from unnecessary errors.

Checklists

Checklists are specifically in place to remind analysts of required documents. In order to be effective they are required to be fully utilized by staff for each process. These checklists have been modified based on the audit findings making them more useful and user friendly.

The below reminders must be kept in mind by each analyst when completing required documents:

- Always check for tax delinquency both with CTFA and FTB. The only way it can be shown that this was done is by checking the box. If the box is not checked, the assumption is that it was not done.
- When using the Fair and Reasonable Checklist, the analyst must check the appropriate method that was used to determine it was fair and reasonable. They may NOT LEAVE THIS AREA BLANK IF USING THIS METHOD.
- It should be noted that the STD 16 was added to the revised Fair and Reasonable Checklist as this has been revised from \$4,999 to \$9,999.
- Verifying the correct checklist is utilized is required. If services, goods checklist is not accurate and the reverse is also applicable.

Execution Cover Sheet

- o Provides needed details for the entry of PO's into Fi\$Cal. Note that the acquisition methods are listed in the same order as the Fi\$Cal drop down menu. If the acquisition method identifies offers, the analyst must be sure to provide the quantity of offers received in the line below the acquisition method.
- o Using this for Fi\$Cal PO entry and distribution also means the checklists for each procurement should be complete at the time of routing the documents for approval.

Commercially Useful Function (CUF) Compliance

Until now, purchases have been processed with only CUF compliance verified on the winning bidder. It has been identified that the Commission was deficient in this regard because per SCM F (3.A2.6) "all SB

Distributed to staff on April 19, 2019

and DVBE contractors, subcontractors and suppliers that bid on or participate in a State contract, regardless of being a verbal or written solicitation and/or paid for using CAL-Card as a payment method must perform a Commercially Useful Function (CUF).” When reviewing the CUF evaluation and determination worksheet, it does identify that this is a component of the evaluation. *This form must be completed for each SB/MB/DVBE bidder and any subcontractors in order for them to be considered responsive.*

Peer Review

Minor errors were a frequent issue and therefore it reinforces the responsibility to check documents carefully before submitting them for peer review. The peer review is the final opportunity to catch errors so contract analysts must not forget to check things including:

- Accurate calculations
- Accurate incentive and preference calculations
- CUF compliance for all SB/MB/DVBE vendors
- Tax delinquency checked
- Fair and Reasonable method identified (if applicable)
- Price list and user instructions for all LPAs
 - o Check that user instructions were correctly followed
 - o Make sure product information matches the price list
- Verify correct checkboxes utilized and inapplicable boxes are unchecked.

Leverage Procurement Agreements (LPAs)

The below actions must be taken consistently by all analysts for each LPA.

- An RFO must clearly identify how offers will be evaluated. If low cost, only list it as low cost as best value adds other possible components.
- Check user instructions for details on how to obtain quotes, required forms to include, format, pricing details, minimum quantities, required documentation and language, minimum quantity of offers (and any needed justification if less than a certain quantity may be allowed) and if GSA, have this information in the file as well. Some user instructions identify specific information to be listed on the procurement documents.
 - o This can be more easily found if highlighted or flagged so the peer reviewer can quickly find the same information as well as any other person reviewing the file.
- Ensure there is a clear distinction of line items and no confusion on which item is being purchased. The pricing list and product should match the PO.
- Verify all needed justifications are included in the file.
- Document on the evaluation sheet if there was an offeror with no response.
- Be sure to always include the user instructions and pricing information for each procurement.

Completing Documents

Accuracy of documents is very important. Staff must be sure to utilize templates to ensure that the most recent version is utilized and to protect from having old information inadvertently passed on to new procurements. This process will:

- Verify that any boxes that need to be “unchecked” are done as needed and correct boxes are checked.
- Check that the correct terms and conditions and provisions are used.
- Verify correct LPA number is used on documents.
- If purchase authority is required on a 213 (for LPAs) verify these user instructions are followed.
- Document if bidder was non responsive.
- If IT, be sure the IT compliance document is complete and signed.
- If a tangible product, verify sellers permit is required.
- Check that a SB/MB/DVBE vendor’s certification is active at the time of evaluation and award. If not, and this is a requirement, bidder is non-responsive.

Bidder’s Declaration

A Bidder’s Declaration must be included for Non-competitive, competitive, SB option, DVBE option, LPAs, government agreements including Interagency agreements if there is a possibility of them utilizing a subcontractor, exempt purchases or contracts if there is a possibility of a subcontractor being used.

The only exceptions to this requirement is: Amendments not altering subcontractors, emergency purchases, Community Rehabilitation Programs, PIA, verbal solicitations under \$5,000 (with no subcontractors and non-DVBE); Non-IT services. (SCM F, 3.A4.8)

Data Entry and Distribution

During Fi\$Cal PO creation and distribution, analysts must be sure that all appropriate forms are signed. Having these clearly marked during routing will prevent errors in obtaining signatures.

IT Services

It has been determined that any software maintenance or support is considered an IT service and therefore analyst must use an STD 213 rather than an STD 65. In addition, when establishing such agreements, it is imperative that all related Terms and Conditions are included in the agreement and reviewed to ensure the terms are acceptable for the State. If unsure, analyst should work with the Commission’s legal department when available to review prior to execution.

These changes will take some adjusting by staff but ultimately will help the Commission to maintain compliance with the applicable laws and regulations in place and will also prove to smooth out the procurement process and transparency.

**CALIFORNIA
COMMISSION ON TEACHER CREDENTIALING
(CTC)**

DELEGATED PURCHASING AUDIT

EVALUATION OF CTC'S RESPONSE

We have reviewed the response by the California Commission on Teacher Credentialing (CTC) to our draft report. The response to the recommendations is satisfactory. We appreciate the efforts taken or being taken by CTC to improve its delegated purchasing functions.

As part of its operating duties, the Office of Audit Services is responsible for following up on audit recommendations and will require a six-month status report on the implementation of each.