



MEMORANDUM

Date: September 30, 2024 File No.: 4204

To: JP Patton, 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**

Attached is the final report on our compliance audit of the California Conservation Corp's (CCC) delegated purchasing program. The objective of our audit was to determine whether procurement transactions are being conducted in accordance with the terms and conditions of CCC's purchasing authority delegation agreements with the Department of General Services (DGS), which include dollar threshold limits for various categories of procurements.

CCC'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 the 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 31, 2025.

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 CCC'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: Tabatha Chavez, Deputy Director, Administrative Services Division, CCC
Scott Linton, Director, Business Services, CCC
Giavanna Hampton, Manager, Business Services and Contracts Branch,
CCC
Andy Won, Deputy Director, Office of Audit Services, DGS
Purchasing Authority Management Section (PAMS), Procurement Division,
DGS

**GOVERNMENT OPERATIONS AGENCY
DEPARTMENT OF GENERAL SERVICES**

**AUDIT OF THE
CALIFORNIA CONSERVATION
CORPS**

**FOR COMPLIANCE WITH STATE
DELEGATED PURCHASING PROGRAM
REPORT NO. 4204**

OFFICE OF AUDIT SERVICES

AUGUST 2024

**CALIFORNIA CONSERVATION CORPS
DELEGATED PURCHASING PROGRAM AUDIT
REPORT NO. 4204**

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STATE OF CALIFORNIA
DEPARTMENT OF GENERAL SERVICES
AUDITOR'S REPORT

DATE: September 30, 2024

TO: JP Patton, Director
California Conservation Corps

This report presents the results of our compliance audit of the delegated purchasing program of the California Conservation Corps (CCC). As required by Public Contract Code Section 10333, at least once in each three-year period the Department of General Services (DGS) conducts an audit of each state agency to which purchasing authority has been delegated by the department. The objective of our audit was to determine whether 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. 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 (SBs) and disabled veteran business enterprises (DVBES), 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.

Overall, we concluded that CCC 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 CCC in addressing these issues.

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

cc: Tabatha Chavez, Deputy Director, Administrative Services Division, CCC
Scott Linton, Director, Business Services, CCC
Giavanna Hampton, Manager, Business Services and Contracts Branch, CCC
Andy Won, Deputy Director, Office of Audit Services, DGS
Purchasing Authority Management Section (PAMS), Procurement Division, DGS

CALIFORNIA CONSERVATION CORPS

DELEGATED PURCHASING PROGRAM AUDIT

FINDINGS AND RECOMMENDATIONS

The following presents our detailed findings and recommendations developed based on our compliance audit of CCC's delegated purchasing program. The state's delegated purchasing requirements are primarily contained in Consolidated State Contracting Manual Volume 2 (SCM Vol. 2).

This information was developed based on our fieldwork conducted over the period of February 13, 2024 through June 26, 2024. 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 2024 fiscal year. Our transaction tests included the review of 33 delegated non-IT and IT procurements, including 15 leveraged procurement agreement transactions.

DELEGATED PURCHASING PROGRAM

Overall, we concluded that CCC 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 although some types of noncompliance occurred infrequently, 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 CCC staff involved either missing or inadequate procurement documentation for the following areas:

- The Purchasing Authority Purchase Order (STD. 65) did not include the department's "Agency Order Number" (SCM Vol. 2, Section 1802)

- The appropriate and current delegated purchasing authority number is not listed on the STD. 65 and/or the Standard Agreement (STD. 213) (SCM Vol. 2, Section 100.1)
- The STD. 65 is not itemized in sufficient detail to accurately describe the product(s) ordered (STD. 65 (Rev. 4/2020) User Instructions #14,15, 18-20)
- The "Procurement Method" box was incorrectly marked on the STD. 65 (SCM Vol. 2, Section 303)
- The State's General Provisions were not correctly incorporated in the STD. 65 (SCM Vol. 2, Section 1403.3)
- The STD. 65 was not signed by someone with delegated purchasing signature authority (SCM Vol. 2, Section 1804)
- The STD. 65 was not signed by someone in accounting with signature authority (SCM Vol. 2, Section 1804)
- The transaction file did not include documentation of a valid seller's permit at the time of the award (SCM Vol. 2, Section 1403.3)
- The Bid/Quote Worksheet was not retained in the procurement file (SCM Vol. 2, Section 1405.5)
- For procurements over \$5,000, the STD. 65 was not reported to the Department of Fair Employment and Housing (DFEH) (SCM Vol. 2, Section 2200.4)
- For competitive solicitations, the State Bidder Instructions (GSPD-451) were not included in the solicitation (SCM Vol. 2, Section 1403.3)
- The State's General Provisions were not included in the solicitation (SCM Vol. 2, Section 1403.3)
- The required Economic Sanctions Language was not included in competitive solicitations dated after 6/23/22 (Broadcast Bulletin P-07-22 – Executive Order N-6-22 Economic Sanctions Against Russia)

- For competitive solicitations, adequate and comparable bids were not found in the file (SCM Vol. 2, Section 1404.2)
- When the competitive solicitation does not include DVBE Program Requirements, the DVBE Exemption Request (STD. 816) was not in the purchase file (SCM Vol. 2, Section 1403.1)
- For SB/DVBE transactions, the buyer did not determine Commercially Useful Function (CUF) and document analysis prior to the award (SCM Vol. 2, Section 1200.1)
- The signed Bidder Declaration Form (GSPD 05-105) was not in the transaction file (SCM Vol. 2, Section 1202)
- When the transaction should have been procured through PIA and was not, the file did not include a PIA waiver to procure goods from another source (SCM Vol. 2, Section 502)
- Prior to executing the contract, the department did not verify that the contractor was not on the prohibited list by checking both the FTB and CDTFAs websites (SCM Vol. 2, Section 605)
- The transaction file did not include a STD. 213 (SCM Vol. 2, Section 1803)
- The transaction file did not include an Agreement Summary (STD. 215) (SCM Vol. 2, Section 1803)
- When the SB or DVBE Option 14838.5 was used, the file documentation did not support the type of procurement (SCM Vol. 2, Section 1405.3)
- For SB/DVBE transactions, a valid OSDS certification was not documented in the file (SCM Vol. 2, Section 1200)
- IT Service transaction amounts over \$4,999.99, did not have a written solicitation on file (SCM Vol. 2, Section 1405.1)
- When applicable, a copy of the published ad in the California State Contracts Register (CSCR) was not included in the procurement file (SCM Vol. 2, Section 1402.3)

- For IT transactions valued over \$5,000, the signed "Certification of Compliance with State IT Policies" (SIMM 71B) was not included in the procurement file (SCM Vol. 2, Section 1013)
- The transaction file did not document the methodology used to determine that the price was fair and reasonable (SCM Vol. 2, Section 1510)
- The methodology used to determine Fair and Reasonable was not done correctly (SCM Vol. 2, Section 1510)
- A Statement of Work was not included in the file (SCM Vol. 2, Section 305)

Leveraged Procurement Agreement (LPA) proper documentation:

- The appropriate purchasing authority number was not entered into the "Purchasing Authority" box on the STD. 65 and/or STD. 213 (SCM Vol. 2, Section 100.1)
- The terms and conditions were not incorporated in the STD. 65; STD. 213; or purchase documents (SCM Vol. 2, Section 1602)
- The department did not obtain and maintain a complete copy of the LPA contract (SCM Vol. 2, Section 1602)
- The purchasing file did not include a copy of the User Instructions (SCM Vol. 2, Section 1602)
- The purchasing transaction file did not include a copy of the Contract Cover Page (SCM Vol. 2, Section 1602)
- The purchasing transaction did not include a copy of the Contract Price Page (SCM Vol. 2, Section 1602)
- Prior to executing the contract, the department did not verify that the contractor was not on a prohibited list by checking both the FTB and CDTFA websites (SCM Vol. 2, Section 605)

- For IT transactions valued over \$5,000, the signed "Certification of Compliance with State IT Policies" (SIMM 71B) was not included in the procurement file (SCM Vol. 2, Section 1013)
- 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)
- The file did not document that the department met the requirements of obtaining multiple offers as required by the LPA User Instructions (SCM Vol. 2, Section 1603)
- The department did not document "best value" for transactions valued \$5,000 or over (SCM Vol. 2, Section 1603)
- A Statement of Work was not included in the file (SCM Vol. 2, Section 305)

RECOMMENDATIONS

Strengthen existing policies and procedures over CCC's delegated purchasing program that includes the following areas:

1. Enter the department's Agency Order Number on all STD. 65; enter current delegated purchasing authority numbers on all STD. 65/STD. 213; STD. 65 itemized in sufficient detail to describe the products ordered; correctly mark the Procurement Method box on STD. 65; ensure current State's General Provisions are correct on STD. 65; STD. 65 is signed by someone with delegated purchasing signature authority; STD. 65 is signed by someone in accounting with delegated purchasing signature authority; transaction file includes documentation of a valid seller's permit; the Bid/Quote worksheet retained in the procurement file; procurements over \$5,000 are reported to DFEH; determine Commercially Useful Function (CUF) prior to the award for SB/DVBE transactions; signed Bidder Declaration Forms in transaction files; transactions that have not been procured through PIA, include a PIA waiver; verifying that contractors are not on the prohibited lists by checking both the FTB and CDTFA websites; ensure the correct methodology is used to determine Fair and Reasonable cost justification and documenting Fair and Reasonable in the procurement file; include a statement of work in the file as necessary.

2. Obtain and maintain a complete copy of the Leveraged Procurement Agreement (LPA) contract electronically or in the procurement file.
3. IT Service transactions include a STD. 213 in conjunction with a STD. 215; ensure the STD. 213 includes the department's Purchasing Authority Number and the Agreement Number; include the State's General Provisions on the STD. 213; ensure the STD. 213/215 are signed by someone with delegated purchasing signature authority; ensure that the STD. 215 is itemized in sufficient detail to accurately describe the service(s) ordered; ensure the appropriate bidding method box is marked on the STD. 215; for SB/DVBE Option 14838.5 transactions, ensure documentation to support the requirements for this type of procurement is in the procurement file; SB/DVBE transactions have a valid OSDS certification documented in the file; IT Service transactions amount over \$4,999.99 must include a written solicitation on file; ensure a copy of the published ad in the California State Contracts Register (CSCR) is included in the procurement file; a signed Certification of Compliance with State IT Policies (SIMM 71B) in the procurement file for IT Transactions valued over \$5,000.
4. For competitive solicitations, the State Bidder Instructions are included; the State's General Provisions are included in the solicitation; the required Economic Sanctions Language is included in competitive solicitations dated after 6/23/22; adequate and comparable bids are included in competitive solicitations; include the DVBE Exemption Request (STD. 816) when the competitive solicitation does not include DVBE Program Requirements.
5. Provide additional training for staff and require staff to attend training courses offered by DGS where applicable.

CONCLUSION

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



August 20, 2024

Olivia Haug

Manager, Office of Audit Services

Department of General Services

707 3rd Street

West Sacramento, CA 95605

Dear Ms. Haug,

The CCC is a youth development department with natural and civil emergency deployment responsibilities. This dynamic consistently puts the CCC in the top 20 list of operating expense purchase volume each year. However, comparatively we are one of the smallest departments in the state. The CCC remains steadfast in our efforts to improve our process and procedures to remain compliant while acknowledging the challenges the CCC faces in our highly dynamic procurement needs each year.

The California Conservation Corps has evaluated the discussion draft of the Department of General Services, Office of Audit Services (DGS, OAS) compliance audit review. We agree with the findings and recommendations. Below are the corrective measures to remedy the noted deficiencies in our Procurement Program. We are appreciative that the DGS, OAS concluded that the CCC is conducting its delegated purchasing program in compliance with our delegated purchasing authority. The CCC further appreciates the time and collaboration that you had with the CCC Staff and Management during the audit review as it was conducive in providing further improvements and guidance to our procurement program.

We submit the following responses to address the recommendations by DGS, OAS:

Recommendation #1

- Enter the department's Agency Order Number on all STD. 65.





- Enter current delegated purchasing authority numbers on all STD. 65/STD. 213.
- STD. 65 itemized in sufficient detail describe the products ordered.
- Correctly mark the Procurement Method box on STD. 65.
- Ensure current State's General Provisions are correct on STD. 65.
- STD. 65 is signed by someone with delegated purchasing signature authority.
- STD. 65 is signed by someone in accounting with delegated purchasing signature authority.
- Transaction file includes documentation of a valid seller's permit.
- The Bid/Quote worksheet retained in the procurement file.
- Procurements over \$5,000 are reported to DFEH.
- Determine Commercially Useful Function (CUF) prior to the award for SB/DVBE transactions.
- Signed Bidder Declaration Forms in transaction files
- Transactions that have not been procured through PIA, include a PIA waiver.
- Verifying that contractors are not on the prohibited lists by checking both the FTB and CDTFA websites.
- Ensure the correct methodology is used to determine Fair and Reasonable cost justification and documenting Fair and Reasonable in the procurement file.
- Include a statement of work in the file as necessary.

The CCC in response to recommendation #1 of the audit, will be publishing large and continuous updates within the procurement chapters of our internal policies and procedures. Drafts have been made available to the auditor to serve as a foundation for training, guidance, and expectations. These updates will be going to the CCC Operations Manual Committee for review and approval.

With updated policies in mind, the CCC is in the planning stage of creating video training shorts about various critical procurement topics. For example, the video would be about 20 - 30 seconds long, explaining the purpose and navigation of the Contract Award Report (STD016) or a technique within the Fair and Reasonable Acquisition Method. These videos will be posted either within the Business Services Portal or within the Training Unit Portal and be mandatory.





Our Administrative Officer Calls plan to include short training sessions to promote our existing checklists, talking points about required forms and documentation, and possible justifications exempting buyers from needing certain procurement forms. For example, one call will be about the ins and outs of the CUF.

Recommendation #2

- Obtain and maintain a complete copy of the Leveraged Procurement Agreement (LPA) contract electronically or in the procurement file.

The CCC in response to recommendation #2 of the audit, plan to conduct a more 'milestone' type training approach to assist procurement staff with focusing on retaining and understanding the LPA Acquisition Method by narrowing down training sessions to 1 - 2 subject matters that are the most problematic and need attention.

Including the existing LPA checklist, Business Services will be creating a 'LPA Sample Packet' to upload onto the portal, where procurement staff can view or download to their local desktop to cross reference work as they progress through the LPA procurement process. The sample packet will be announced and overviewed in one of our Administrative Officer Calls.

Business Services is also planning to implement 'Office Hours' for 1 hour time increments, multiple times a month, where procurement staff can drop in and ask questions about the purchasing and contract process.

Recommendation #3

- IT Service transactions include a STD. 213 in conjunction with a STD. 215.
- Ensure the STD. 213 includes the department's Purchasing Authority Number and the Agreement Number.
- Include the State's General Provisions on the STD. 213.
- Ensure the STD. 213/215 are signed by someone with delegated purchasing signature authority.





- Ensure that the STD. 215 is itemized in sufficient detail to accurately describe the service(s) ordered.
- Ensure the appropriate bidding method box is marked on the STD. 215.
- For SB/DVBE Option 14838.5 transactions, ensure documentation to support the requirements for this type of procurement is in the procurement file.
- SB/DVBE transactions have a valid OSDS certification documented in the file.
- IT Service transactions amount over \$4,999.99, must include a written solicitation on file.
- Ensure a copy of the published ad in the California State Contracts Register (CSCR) is included in the procurement file.
- A signed Certification of Compliance with State IT Policies (SIMM 71B) in the procurement file for IT Transactions valued over \$5,000.

The CCC in response to recommendation #3 of the audit, is currently in progress of revamping a more thorough and detailed policy and procedure chapter for the Information Technology unit. The chapter will include STD.213/215 signature authority, State General Provisions, IT resources such as the Statewide Information Management Manual (SIMM), and sources like California Department of Technology.

IT staff will be participating and attending procurement training hosted by Business Services, including the annual (5) day procurement training. IT staff will be encouraged to complete training courses within CalPCA and video courses by Business Services within the training portal.

Business Services will coordinate with the IT-unit to research available training by the California Department of Technology, Cal HR, and DGS regarding IT Goods and Service Procurement, and Contract Management as it relates and/or is required for IT-goods and services procurement.

Recommendation #4

- For competitive solicitations over \$10,000, the State Bidder Instructions are included.
- The State's General Provisions are included in the solicitation.

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- The required Economic Sanctions Language is included in competitive solicitations dated after 6/23/22.
- Adequate and comparable bids are included in competitive solicitations.
- Include the DVBE Exemption Request (STD. 816) when the competitive solicitation does not include DVBE Program Requirements.

In response to recommendation #4, the Business Services Office has and continues to make progress on creating an extensive action plan to complete internal procurement audits roughly every quarter, of selected units, to ensure consistency and accuracy of procurements and the substantiation files. Following those, targeted training sessions and announcements will be delivered based on findings. They will also be made available via SharePoint from cross-unit availability and reference.

The training approaches of the 5-day AO Training, video shorts, and AO Calls described in recommendation #1 will include talking points of competitive solicitations, State Bidder Instructions, and required procurement forms.

Recommendation #5

- Provide additional training for staff and require staff to attend training courses offered by DGS where applicable.

In response to recommendation #5, the CCC will be ensuring compliance to the mandated training policy for all procurement staff to complete and pass the Basic Acquisition Certification (BAC) series through the California Procurement and Contracts Academy (CalPCA). Business Services will be coordinating closely with the Training unit by utilizing their training management software where BAC and other required external training can be assigned to appropriate staff individually and through the onboarding process. Staff will need to upload their certificate once completed, which will be recorded in a digital log.

To ensure our annual 5-day AO Training is effective, we send out pre and post surveys to obtain feedback on how fiduciary staff desire to





learn about and the style they prefer to learn it in. The past couple of training sessions, the field has targeted more of a technical approach with requests for introductory, intermediate, and more advanced training for seasoned staff.

To ensure knowledge retention and sustainable motivation of procurement staff, BSO will be implementing a divided annual training between Administrative Officers (AO's) and buyers, incorporating different approaches. The AO annual training will be more objective and policy based. This will give AO's a higher-level view of the procurement process and direct resources from the DGS, State Contracting Manual(s), and procedures through the internal procurement operation manual. A separate training will be conducted to primary and secondary buyers of each center, where we will train on the technical steps of the procurement process in more meticulous detail in addition to beneficial templates and resources.

The CCC is committed to implementing these corrective measures to ensure full compliance with procurement regulations and best practices.

Regards,

Jarred Patton

Director, California Conservation Corps

DocuSigned by:

A handwritten signature in cursive script that reads "J.P. Patton".

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CALIFORNIA CONSERVATION CORPS (CCC)

EVALUATION OF CCC'S RESPONSE

We have reviewed the response by the California Conservation Corps (CCC) to our draft report. The response to the recommendations is satisfactory. We appreciate the efforts being taken by CCC to improve its delegated purchasing functions.

As a part of our operating duties, DGS is 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.