



MEMORANDUM

Date: October 1, 2024 File No. 4180

To: **Katherine Minnich**, Deputy Director
Department of General Services – Administration Division
707 3rd Street, 8th Floor
West Sacramento, CA 95605

From: **Department of General Services**
Office of Audit Services

Subject: **AUDIT REPORT: CONTRACTING PROGRAM**

This report presents the results of our audit of the Department of General Services (DGS), Office of Business and Acquisition Services' (OBAS) contracting program. On December 17, 2020, the Director of DGS signed Exemption Letter No. DGS 1 which granted OBAS' request to process contracts without DGS review and approval. In brief, subject to a number of limitations, the exemption allows various types of contracts under \$150,000 to be processed without DGS review and approval during the four-year period of January 1, 2021 through December 31, 2024. As a condition of the exemption, two audits are required to be performed of OBAS' contracting program during the four-year exemption period. Based on OBAS' request, the DGS Office of Audit Services agreed to conduct the second audit required under the terms of the exemption.

The objective of our audit was to determine compliance with the terms and conditions of Exemption Letter No. DGS 1. In general, the exemption requires that OBAS maintain an adequate and effective system of internal control over contracting and that the system be sufficient to ensure compliance with the state's contracting laws, policies, and procedures. Our audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

Based on the results of our fieldwork conducted over the period May 17, 2024 through September 13, 2024, we concluded that OBAS is conducting its contracting program in compliance with the terms and conditions of its exemption. OBAS' contracting policies and procedures are sufficient to provide reasonable assurance of compliance with the state's contracting laws, policies, and procedures.

To determine compliance, we reviewed policies and procedures, tested samples of contracts awarded during the 2022-23 through 2023-24 fiscal years, interviewed parties involved and performed other tests as deemed necessary.

We sincerely appreciate the cooperation and assistance provided by OBAS' personnel.

If you need further information on or assistance with this report, please call/e-mail me at (916) 376-5064 / Dennis.Miras@dgs.ca.gov, or Eric Kim at (279) 946-8635 / Eric.Kim@dgs.ca.gov.

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