



# MEMORANDUM

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**Date:** September 12, 2024 File No.: 4205

**To:** The Honorable Fiona Ma, CPA  
California State Treasurer  
State Treasurer's Office  
901 P Street, Room 411B  
Sacramento, CA 95814

**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 State Treasurer's Office (STO) 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 STO's purchasing authority delegation agreements with the Department of General Services (DGS), which include dollar threshold limits for various categories of procurements.

STO'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 12, 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 STO's personnel.

If you have any questions, please call me at (916) 376-5054, or Amalia H. Sanchez, Management Auditor, at (279) 946-8574.

*Olivia Haug*

OLIVIA HAUG  
Manager, Office of Audit Services

Attachment

cc: Juan Fernandez, Deputy Treasurer, STO  
Rebecca Grajski, Director, Administration Division, STO  
Christopher Sneed, Chief of Management Services, STO  
Purchasing Authority Management Section (PAMS), Procurement Division,  
DGS

**GOVERNMENT OPERATIONS AGENCY  
DEPARTMENT OF GENERAL SERVICES**

**AUDIT OF THE  
STATE TREASURER'S OFFICE**

**FOR COMPLIANCE WITH STATE  
DELEGATED PURCHASING PROGRAM  
REPORT NO. 4205**

**OFFICE OF AUDIT SERVICES**

**JULY 2024**



**STATE TREASURER'S OFFICE  
DELEGATED PURCHASING PROGRAM AUDIT  
REPORT NO. 4205**

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**STATE OF CALIFORNIA**  
**DEPARTMENT OF GENERAL SERVICES**  
**AUDITOR'S REPORT**

DATE: September 12, 2024

TO: The Honorable Fiona Ma, CPA  
California State Treasurer  
State Treasurer's Office

This report presents the results of our compliance audit of the delegated purchasing program of the State Treasurer's Office (STO). 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 STO'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 STO 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 STO in addressing these issues.

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

If you need further information or assistance on this report, please contact me at (916) 376-5054, or Amalia H. Sanchez, Management Auditor, at (279) 946-8574.

*Olivia Haug*

OLIVIA HAUG  
Manager, Office of Audit Services

Staff: Amalia H. Sanchez, Management Auditor

cc: Juan Fernandez, Deputy Treasurer, STO  
Rebecca Grajski, Director, Administration Division, STO  
Christopher Sneed, Chief of Management Services, STO  
Purchasing Authority Management Section (PAMS), Procurement Division,  
DGS



**STATE TREASURER'S OFFICE**  
**DELEGATED PURCHASING PROGRAM AUDIT**  
**FINDINGS AND RECOMMENDATIONS**

The following presents our detailed findings and recommendations developed based on our compliance audit of STO'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 16, 2024 through July 12, 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 2023-24 fiscal year. Our transaction tests included the review of 19 delegated non-IT and IT procurements, including 9 leveraged procurement agreement transactions.

**DELEGATED PURCHASING PROGRAM**

Overall, we concluded that STO 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 STO staff involved either missing or inadequate procurement documentation for the following areas:

- The appropriate and current delegated purchasing authority number not listed on the Purchase Order (STD. 65) and/or the Standard Agreement (STD. 213) (SCM Vol. 2, Section 100.1 & SCM Vol. 2, Section 1803)

- Purchases were not properly classified (SCM Vol. 2, Section 303)
- For competitive solicitations, adequate and comparable bids were not found in the procurement file (SCM Vol. 2, Section 1404.2)
- For SB/DVBE transactions, the buyer did not determine Commercially Useful Function (CUF) and document analysis used prior to the award (SCM Vol. 2, Section 1200.1)
- The procurement file did not include a copy of the published ad in the California State Contracts Register (CSCR) (SCM Vol. 2, Section 1402.3)
- The procurement file did not include a STD. 213 and/or the STD. 215 (SCM Vol. 2, Section 1803)
- The STD. 213 did not include the department's "Agreement Number" (SCM Vol. 2, Section 1803)
- State's General Provisions were not incorporated in the STD. 213, (SCM Vol. 2, Section 1403.3)
- The Standard Agreement (STD. 213) and/or the Agreement Summary (STD. 215) were not signed by someone with delegated purchasing signature authority (SCM Vol. 2, Section 1804)
- The STD. 215 is not itemized in sufficient detail to accurately describe the service(s) ordered (SCM Vol. 2, Section 1803)
- A valid seller's permit was not included in procurement file (SCM Vol. 2, Section 1403.3)

## **RECOMMENDATIONS**

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

1. Enter current delegated purchasing authority into all STD. 65/213; Ensure "procurement method" box is correctly marked and correctly entered into FI\$Cal; Ensure competitive solicitations have adequate and comparable bids in the procurement file; SB/DVBE transactions have a valid OSDS certification documented in the file and Commercially Useful Function (CUF) is determined and analysis documented prior to award; Ensure a copy of the published ad in the California State Contracts Register (CSCR) is

included in the procurement file; IT Service transactions include a STD. 213 in conjunction with a STD. 215.

2. Ensure the STD. 213 include the department's "Agreement Number"; Include the State's General Provisions on the STD. 213; Ensure the STD. 213/215 are signed by someone with delegated signature authority (including accounting); Ensure that the STD. 215 is itemized in sufficient detail to accurately describe the service(s) ordered; Ensure procurement files include documentation of a valid seller's permit at the time of award.
3. Provide regular training and awareness programs for staff involved in procurement to ensure they understand and follow the established policies and procedures.

### **CONCLUSION**

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



**OFFICE OF THE TREASURER**

P. O. BOX 942809  
SACRAMENTO, CA 94209-0001



August 27, 2024

Department of General Services  
Office of Audit Services  
707 3rd Street, 8th Floor  
West Sacramento, California 95605

Delegated Purchasing Program Audit

The State Treasurer's Office (STO) submits this letter in response to the Department of General Services (DGS) audit of the STO's delegated purchasing program. The STO appreciates DGS's conclusion that we are conducting our delegated purchasing program in compliance with the terms and conditions of our delegation agreement.

The STO has reviewed DGS's findings, and has taken or will take immediate steps to update policies and procedures as needed to correct these items, as well as provide additional training to our procurement team. To address the findings identified by DGS, detailed responses are enclosed regarding a corrective action plan that will be implemented to strengthen the STO's purchasing program.

Thank you for the opportunity to respond to your draft audit. If you have any questions, or require additional information, please do not hesitate to contact me at (916) 653-3382, or by email at [csneed@treasurer.ca.gov](mailto:csneed@treasurer.ca.gov).

Sincerely,

*Christopher Sneed*

Christopher Sneed  
Chief of Management Services

Enclosure

cc: Rebecca Grajski, Director, Administration Division  
State Treasurer's Office

**CAL-Card Program**

Audit Finding	State Treasurer's Office Response
No findings.	N/A

**Prompt Payment of Invoices**

Audit Finding	State Treasurer's Office Response
No findings.	N/A

**Leveraged Procurement Agreements for Non-IT Goods and Services and IT Goods and Services**

Audit Finding	State Treasurer's Office Response
No findings.	N/A

**Non-IT Goods and IT Goods Under \$10,000**

Audit Finding	State Treasurer's Office Response
For SB/DVBE transactions, the buyer did not determine Commercially Useful Function (CUF) and document analysis used prior to the award.	STO notes that all SB/DVBE transactions reviewed included current OSDS certification information for the selected vendor, as well as a CUF Evaluation form with the SB/DVBE vendor's signature certifying compliance with CUF requirements. However, the CUF Evaluation form has since been updated to incorporate a section for STO/BCA staff to also certify vendor's compliance. STO will also begin including OSDS certifications for all SB/DVBE vendors contacted during the competitive bidding process.
Purchases were not properly classified.	STO notes that 3 of the 7 POs/Contracts reviewed were not properly classified. Of the 3, 2 of the POs were Software as a Service (SaaS) subscriptions that were classified as IT Services instead of IT Goods; and 1 of the POs was a software license subscription that was classified as IT Services instead of goods. Subscription classifications have been an ongoing discussion with DGS, but will be classified as IT Goods moving forward unless otherwise requested.

**IT Goods of \$10,000 or More**

Audit Finding	State Treasurer's Office Response
The appropriate and current delegated purchasing authority number not listed on the Purchase Order (STD. 65) and/or the Standard Agreement (STD. 213).	STO notes that 1 of the 10 POs reviewed was missing the delegated purchasing authority number; however, this was just an oversight. STO Buyers are aware that the delegated purchasing authority number "TRE-0950" is required, and will be included on all future POs for IT Goods.
Purchases were not properly classified.	STO notes that 1 of the 10 POs reviewed was not properly classified. While the PO was classified as Proprietary – Software and included a memo from the vendor stating that they are the sole government distributor for LinkedIn, STO will ensure that the competitive bidding process occurs in the future as required when resellers are available.
For competitive solicitations, adequate and comparable bids were not found in the procurement file.	STO notes that 1 of the 10 POs reviewed did not have adequate comparable bids. However, documentation was included to show that Request for Quotes (RFQs) were sent to multiple vendors, and that proceeding with one quote was acceptable as the cost was fair and reasonable and less than the prior year. Moving forward, STO will ensure that each PO file subject to competitive bidding includes at least two quotes.
For SB/DVBE transactions, the buyer did not determine Commercially Useful Function (CUF) and document analysis used prior to the award.	STO notes that all SB/DVBE transactions reviewed included current OSDS certification information for the selected vendor, as well as a CUF Evaluation form with the SB/DVBE vendor's signature certifying compliance with CUF requirements. However, the CUF Evaluation form has since been updated to incorporate a section for STO/BCA staff to also certify vendor's compliance. STO will also begin including OSDS certifications for all SB/DVBE vendors contacted during the competitive bidding process.
The procurement file did not include a copy of the published ad in the California State Contracts Register (CSCR).	STO notes that 1 of 10 POs reviewed did not include a printout of the CSCR advertisement. STO will ensure a copy of the CSCR ad is included in all future IT Goods purchases exceeding \$50,000 that are subject to competitive bidding.

**IT Services (STD. 213)**

Audit Finding	State Treasurer's Office Response
The procurement file did not include a STD. 213 and/or the STD. 215.	STO notes that 1 PO/Contract reviewed was processed as a PO instead of a contract. Moving forward, STO will begin processing Std. 213/Std. 215 agreements for all IT Services, including services under \$5,000.
The STD. 213 did not include the department's "Agreement Number"	STO notes that 1 PO/Contract reviewed was processed as a PO instead of a contract, and included a PO Number in place of an Agreement Number. Moving forward, STO will begin processing Std. 213 agreements for all IT Services, including services under \$5,000.
State's General Provisions were not incorporated in the STD. 213.	STO notes that 1 PO/Contract reviewed was processed as a PO instead of a contract, however, the PO did incorporate the appropriate General Provisions. Moving forward, STO will begin processing Std. 213 agreements for all IT Services, including services under \$5,000.
The Standard Agreement (STD. 213) and/or the Agreement Summary (STD. 215) were not signed by someone with delegated purchasing signature authority.	STO notes that 1 PO/Contract reviewed was processed as a PO instead of a contract; however, the PO was approved by the appropriate accounting signatory. Moving forward, STO will begin processing Std. 213/Std. 215 agreements for all IT Services, including services under \$5,000.
The STD. 215 is not itemized in sufficient detail to accurately describe the service(s) ordered.	STO notes that 1 PO/Contract reviewed was processed as a PO instead of a contract. Moving forward, STO will begin processing Std. 213/Std. 215 agreements for all IT Services, including services under \$5,000.
A valid seller's permit was not included in procurement file.	STO notes that 1 PO/Contract reviewed did not include verification of a valid seller's permit at the time of award since the procurement was classified as a Non-IT Service. Moving forward, STO will begin including a seller's permit verification for purchases of services that include a commodity element.



## **STATE TREASURER'S OFFICE (STO)**

### **EVALUATION OF STO'S RESPONSE**

We have reviewed the response by the State Treasurer's Office (STO) to our draft report. The response to the recommendations is satisfactory. We appreciate the efforts being taken by STO 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.