

Memorandum

*Flex your power!
Be energy efficient!*

To: FRANCESCA NEGRI, Chief
Division of Procurement and Contracts

Date: January 21, 2014

LARRY ORCUTT, Chief
Division of Equipment

File: P3000-0415

From: WILLIAM E. LEWIS
Assistant Director
Audits and Investigations



Subject: FINAL AUDIT REPORT – DIVISION OF EQUIPMENT PROCUREMENT

Attached is Audits and Investigations' final audit report on Division of Equipment Procurement. Your response has been included as part of our final report. This report will be posted to our website.

Please provide our office with status reports on the implementation of your audit finding dispositions 60-, 180-, and 360-days subsequent to the date of this transmittal. If all findings have not been corrected within 360-days, please continue to provide status reports every 180-days until the audit findings are fully resolved.

We thank you and your staff for their assistance provided during this audit. If you have any questions or need additional information, please contact Laurine Bohamera, Chief, Internal Audits, at (916) 323-7107, or me at (916) 323-7122.

Attachment

c: Malcolm Dougherty, Director
Norma Ortega, Acting Chief Deputy Director
Cristiana Rojas, Deputy Director, Administration
Steve Takigawa, Deputy Director, Maintenance and Operations
Laurine Bohamera, Chief, Internal Audits, Audits and Investigations
Kelly Takigawa, Assistant Division Chief, Division of Procurement and Contracts
Jennifer Burnett, Office Chief, Policy, Protest and Communications,
Division of Procurement and Contracts
Keith Duncan, Office Chief, Administration and Budgets, Division of Equipment
Jason Cook, Chief, Office of Materiel Services, Division of Equipment
Kevin Yee, Audit Manager, Internal Audits, Audits and Investigations

P3000-0415
Division of Equipment Procurement
January 2014

William E. Lewis
Assistant Director
Audits & Investigations
California Department of Transportation

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ATTACHMENT

Division of Procurement and Contracts and Division of Equipment's Response to the Draft Report

Summary

Audits and Investigations have completed an audit of the California Department of Transportation (Caltrans), Division of Equipment (DOE) procurement function. The purpose of the audit was to determine whether the DOE procurement policies and procedures comply with Caltrans' delegated purchasing authority and the State's contracting laws, policies, and procedures.

The scope of the audit included an internal control review of the Division of Procurement and Contracts' (DPAC) function related to DOE's purchasing delegation program, and tests of their purchases made using CAL-Card, Purchasing Authority Purchase Orders (Purchase Orders), and contracts for the audit period of July 1, 2011 through June 30, 2012.

Our audit identified the following issues:

- DOE Lacks a Formalized Purchasing Delegation
- Lack of Purchasing Authority for Commercial Repairs
- DPAC Warehouse Staff are Not Properly Completing Receiving Records
- Conflict of Interest Certifications are Not Completed Timely nor Retained
- Control Weaknesses Exist Over Purchase Orders
- Purchase Orders are Not Reported to Department of General Services

Background

Statutory authority for the competitive and non-competitive procurement of non-IT goods, and IT goods and services for State government resides with the Department of General Services (DGS). DGS also has statutory authority to delegate its purchasing authority to departments that meet specific requirements. Without delegated purchasing authority, departments may only conduct competitive procurement for Non-IT goods valued at \$100 or less per transaction; and may not conduct either competitive or non-competitive procurement of any IT goods and services.

Beginning in 2003, DGS required departments to designate and maintain a Procurement and Contracting Officer responsible for all procurement and contracting activities within the department. The Procurement and Contracting Officer for Caltrans is the Chief of DPAC.

In Fiscal Year 2011/2012, DGS provided Caltrans with delegation authority for purchases up to \$100,000 for non-IT goods and up to \$2 million for mobile equipment. DPAC is accountable for the statewide acquisition of goods and services. They are also responsible for ensuring that all acquisitions comply with applicable State and federal statutory requirements and are within the Purchasing Authority Delegation renewed annually by DGS.

**Background
(Continued)**

Historically, DOE has made all of its purchases, except those purchases made through the contracting process. This responsibility includes making purchases of mobile fleet equipment and components for Caltrans. Currently, DOE staff prepares Purchase Orders and uses CAL-Cards to purchase goods related to purchasing, fabricating, maintaining and repairing Caltrans' fleet equipment. DOE has approximately 500 professional heavy equipment mechanics located throughout the State who maintain and repair over 13,000 pieces of equipment. In addition, DOE also provides fleet equipment maintenance and repair services to other State and local agencies through Interagency Agreements.

**Objectives, Scope
and Methodology**

The audit was performed in accordance with the International Standards for the Professional Practice of Internal Auditing. The objectives of the audit were to determine:

- The types of purchases made by DOE.
- If purchases sub-delegated to DOE by DPAC are within the sub-delegation authority.
- The system of internal controls over DOE's procurement process.
- If DOE procurement policies and procedures are in compliance with the State Contracting Manual.
- If DOE purchases are in compliance with DPAC policies and procedures.

The audit covered the period of July 1, 2011 through June 30, 2012. The scope of the audit included an internal control review of DPAC's function related to DOE's purchases, and procurement testing in DOE Headquarters, SHOP 7 in Los Angeles, and SHOP 10 in Stockton. The audit was performed between December 4, 2012 and March 8, 2013. Changes after March 8, 2013 were not tested, and accordingly, our conclusion does not pertain to changes arising after this date.

Conclusion

Our audit disclosed that the internal controls and procedures over DOE's procurement are generally adequate, except for the issues noted below:

- DOE Lacks a Formalized Purchasing Delegation
- Lack of Purchasing Authority for Commercial Repairs
- DPAC Warehouse Staff are Not Properly Completing Receiving Records
- Conflict of Interest Certifications are Not Completed Timely nor Retained
- Control Weaknesses Exist Over Purchase Orders
- Purchase Orders are Not Reported to DGS

**Views of
Responsible
Officials**

We requested and received responses from the Division Chiefs of DPAC and DOE. These officials have concurred with the findings and recommendations. Please see the Attachment for their complete response.



WILLIAM E. LEWIS
Assistant Director
Audits and Investigations

October 3, 2013

FINDINGS AND RECOMMENDATIONS

Finding 1 - Division of Equipment Lacks a Formalized Purchasing Delegation

The State Contracting Manual (SCM) provides that departments granted purchasing authority are responsible and accountable for all procurement activities conducted under their approved purchasing authority, regardless of where the procurement activity occurs. In 2003, the Department of General Services (DGS) designated the Chief, Division of Procurement and Contracts as the Procurement and Contracting Officer who is responsible for all procurement and contracting activities within the California Department of Transportation (Caltrans).

Our review found that although the Division of Equipment (DOE) has historically made all its purchases except those made through the contracting process, no formalized sub-delegation of purchase authority exists between the Division of Procurement and Contracts (DPAC) and DOE. In addition, we found that DPAC has not developed procedures and guidelines to provide oversight and monitoring of DOE's purchases to ensure compliance with the SCM requirements and DPAC policies and procedures. The specific criteria governing Caltrans purchases are noted below:

- The SCM Vol. 2, Chapter 1: Purchasing Authority – 1.A3.0 Requirements and Responsibilities states, “The department will designate a Procurement and Contracting Officer ... The requirement or responsibility includes accountability and direct responsibility for the department’s purchasing authority.”
- Caltrans’ Purchasing Authority Approval from DGS, Attachment 1 provides that DPAC is to conduct compliance reviews of all DOE procurements to ensure solicitations conform to the SCM and DPAC policy.
- Caltrans Acquisition Manual, Chapter 1.1 provides that DPAC is responsible for the procurement of Non-Information Technology (Non-IT) goods and services, Non-fleet Equipment and Information Technology (IT) goods and services; and that the DOE has purchasing authority through DPAC to purchase specific types of mobile fleet equipment.
- Caltrans Acquisition Manual, Chapter 11.1 provides that DGS delegated expanded purchase authority to Caltrans for the procurement of mobile fleet equipment and components. Under the direction of DPAC, the DOE purchasing staff are responsible for procurements under the authority granted by this delegation.

Ultimately, Caltrans’ Procurement and Contracting Officer is responsible for ensuring that purchases made by DOE are in compliance with State purchasing regulations and requirements. Without a formal sub-delegation of purchasing authority and providing oversight and monitoring of DOE purchases, there is the risk that purchases made by DOE are not in compliance with requirements. This could ultimately result in the loss of Caltrans’ purchasing delegation from DGS.

Recommendations

We recommend that:

1. DPAC re-evaluate whether DOE should be delegated the authority to make purchases.
2. If DPAC determines that DOE should be delegated purchasing authority, DPAC:
 - Formalize a sub-delegation of purchasing authority.
 - Develop policy and procedures to provide oversight and monitoring of DOE's purchases.

Division of Procurement and Contract's Response

DPAC and DOE are discussing the appropriateness of DOE's delegated authority to make purchases and a determination will be made by June 30, 2014. If appropriate, DPAC will formalize a sub-delegation which will include procedures for oversight and monitoring of DOE's purchases by June 30, 2014.

Finding 2 - Lack of Purchasing Authority for Commercial Repairs

Our review found that DOE does not have clear authority to obtain commercial repairs from outside vendors. DOE uses outside vendors to service, maintain, and/or repair Caltrans' mobile equipment when it does not have adequate experienced Caltrans staff or appropriate tools to perform the work. Further, we found that Caltrans purchasing delegation from DGS does not cover commercial repairs. This is because the SCM, Vol. 2, Chapter 2 considers mobile equipment repairs to be a non-IT service which may not be purchased under a department's purchasing authority. Although the purchasing delegation allows Caltrans to buy mobile equipment, it does not cover the outside repair and maintenance of mobile equipment.

DOE has historically cited the Streets and Highway Code (S&H) section 140 and the State Administrative Manual (SAM), section 4115 as its statutory and administrative authority for paying for commercial repairs.

According to S&H section 140, "The department may establish and maintain shops for the construction, repair, and servicing of any equipment owned or used by the department. The department may purchase and supply such materials and parts, and furnish such labor, as is necessary in the construction, repair, and servicing of equipment for other state departments. The other state departments receiving them shall reimburse the department for the cost of such materials, parts, and labor, including overhead charges."

In addition, SAM section 4115, Repairs at Commercial/State Facilities, states that "Repairs to state-owned mobile equipment, including replacement of auto glass, at a commercial/state facility exceeding the delegated amount require prior approval from an OFA Inspector of Automotive Equipment (IAE)."

**Finding 2 –
(Continued)**

Although DOE has cited both S&H section 140 and SAM section 4115 as their authority for the commercial repairs, it is not clear that the authority has been provided through these citations. It is our understanding that the S&H section 140 allows Caltrans to establish and maintain shops to repair Caltrans equipment, but does not directly address the payment to outside vendors for the repairs.

As a result, Caltrans may not be in compliance with DGS's purchasing requirements governing the purchase of commercial repairs, which could result in Caltrans losing its purchasing delegation.

Recommendations

It is recommended that DPAC partner with DOE and DGS to seek alternate procurement methods for commercial repairs.

**Division of
Procurement and
Contract's Response**

If determined appropriate, DPAC and DOE will research alternate procurement options, initiate discussions with DGS by April 1, 2014, and develop a plan to implement alternative procurement methods for commercial repairs by October 31, 2014.

**Finding 3 -
Division of
Procurement
and Contracts
Warehouse Staff
are Not Properly
Completing
Receiving Records**

DPAC orders IT goods for various divisions and districts and receives the goods in their warehouse. We found that DPAC warehouse staff who receive the goods are not completing the "Received By" and "Date Received" fields on the Purchase Orders, or other receiving documents.

The SCM Vol. 2 Chapter 10.2.3 states "In accordance with SAM section 8422.20, departmental receiving staff must prepare a Stock Received Report (STD.106) or may use an approved purchase document to record receiving information at the time goods are received. When a copy of the purchase document is used as a stock received report, the person checking the goods will write in the date received, the quantity received, and note any defect in condition of the goods. The original stock received report or the purchase document must be forwarded to the accounting office and a copy provided to the buyer to file in the procurement file on the day the goods are received." In addition, Chapter 10.2.4 states that "The staff responsible for inspecting and accepting the goods should sign either the STD 106 or the approved purchase document."

DPAC's warehouse receiving staff were not aware that the Purchase Orders or receiving documents required the receiver's signature and date to be considered completed.

The lack of a receiving signature and date may cause the buyer and/or requestor to be unaware of when goods are received, potentially resulting in untimely invoice approval for payment. In addition, there is the risk that payment may be made for damaged goods or goods not yet received.

Recommendation

DPAC should ensure that the receiving staff properly complete the Purchase Orders when goods are received and submit the completed Purchase Orders to the buyer/requestor timely.

Division of Procurement and Contract's Response

DPAC Property Control Branch developed and implemented procedures for the receipt of property at its warehouse facility in February 2011. The procedures require that Purchase Order be signed and dated by the recipient and a copy provided to the buyer. DPAC reviewed the procedures with staff on August 17, 2013 and will continue to monitor compliance with the requirements.

Finding 4 - Conflict of Interest Certifications are Not Completed Timely nor Retained

Our review found that CAL-Card Cardholders, and CAL-Card and Purchase Order Approving Officials were not consistently completing and retaining the signed Conflict of Interest Statement Form (ADM-3043). A review of the 19 individuals requiring Conflict of Interest forms found the following:

- Seven CAL-Card Cardholder and Approving Official Conflict of Interest forms were not signed and dated annually. Section 1.17 of the CAL-Card Handbook states, "All Cardholders and Approving Officials must review and sign the ADM-3043 Conflict of Interest form annually..."
- Two Purchase Order Approving Official Conflict of Interest forms could not be located. The SCM Vol. 2, Chapter 1 – Purchasing Authority, requires that departments will maintain signed Conflict of Interest statements for every staff person involved in the procurement process and ensure the employee signs a Conflict of Interest form at least once during his/her tenure with the department.

We found that CAL-Cardholders, and CAL-Card and Purchase Order Approving Officials were not fully aware of the requirements and their responsibilities related to conflict of interest. In addition, we identified different Conflict of Interest form requirements between procurement manuals leading to confusion within the DOE shops. The CAL-Card Handbook and training has a more stringent requirement, mandating completion of Conflict of Interest annually, while the Acquisition Manual and SCM only require the completion of one Conflict of Interest form per employee during their tenure.

Without current signed Conflict of Interest forms on file, Caltrans cannot be assured that CAL-Card Cardholders, and CAL-Card and Purchase Order Approving Officials are aware of their responsibility to be free from incompatible activities and conflict of interest.

Recommendations

We recommend DOE enforce the requirements for signing and retaining the Conflict of Interest forms.

**Division of
Equipment's
Response**

DOE will have a signed copy of the new Conflict of Interest and Confidentiality Statement Certification (ADM3080) for every employee of the Division by June 30, 2014. DOE will maintain inventory, track completion, and ensure subsequent completion of Conflict of Interest forms as required by policy.

**Finding 5 -
Control
Weaknesses
Exist
Over Purchase
Orders**

The DOE has responsibility for equipment repair shops State-wide. In total we tested 90 purchase orders from DOE Headquarters (SHOP 32), SHOP 7 in Los Angeles and SHOP 10 in Stockton and identified the following weaknesses:

- Twenty-one out of ninety (23%) Purchase Orders tested had questionable Purchasing Authority Numbers for purchases related to commercial repairs and mobile fleet equipment services.
 - Fourteen out of twenty-one (67%) used the S&H section 140 as the Purchasing Authority Number; however, S&H section 140 does not grant the authority to make purchases of mobile equipment services for Caltrans' own equipment. As discussed in Finding #2 above, the S&H section 140, provides authority for Caltrans to establish and maintain shops for the construction, repair, and servicing of any equipment owned or used by the department, but does not provide authority for the procurement of services for mobile equipment. Refer to Finding #2, for recommendation related to this weakness.
 - Seven out of twenty-one (33%) were for commercial repairs and used the contract delegation number, 9G-10XX-DOT-HQ1, assigned to Caltrans' Procurement and Contracting Officer by DGS as the Purchasing Authority Number. This Authority Number is strictly for purchases of Non-IT Goods only. The SCM Vol. 2, Chapter 2.C1.3 provides that mobile equipment repairs are considered non-IT services and, therefore, since these purchases are for services and not goods, they may not be purchased under a department's purchasing authority.
- Our testing of the 90 Purchase Orders included 37 that were over \$5,000. The testing of these 37 Purchase Orders identified the following weaknesses:
 - Four out of thirty-seven (11%) Purchase Orders were not entered into the Statewide Contract and Procurement Registration System. The SCM Vol. 2, Chapter 8.1.0 – 8.1.6 provides that all documents valued over \$5,000 be registered in the Statewide Contract and Procurement Registration System and that the assigned registration numbers be entered on all purchase documents prior to issuing an order to the

**Finding 5 –
(Continued)**

supplier. In addition, if a department fails to record the transactions in the Statewide Contract and Procurement Registration System, it will be considered non-compliant with purchasing authority requirements, which may adversely impact the department's purchasing authority.

- Four out of thirty-seven (11%) Purchase Orders did not have a bid/quote worksheet as required. The Acquisitions Manual 5.2 Bid Requirements provides that acquisitions between \$5,000 and \$50,000 require three written bids for large businesses or a combination of two Small Business/Disabled Veterans Business Enterprise vendors; and that a response of "no bid" is considered as receiving a bid. In addition, the SCM Vol. 2, Chapter 4.D1.1 states that buyers should use the Bid/Quote Worksheet to document the bids received resulting from informal phone quotes and Request for Quotation. The worksheet provides a means to easily compile and evaluate the bids received and assists in final selection. This worksheet must be retained in the procurement file.

The use of S&H section 140 as the Purchasing Authority Number for some Purchase Orders is considered questionable because it does not provide the authority for purchases of commercial repairs or mobile fleet equipment parts for Caltrans' own equipment. DOE staff stated that S&H section 140 is being used as the Purchasing Authority Number because it's been done historically; and because it is one of the options available when preparing Purchase Orders in Advantage.

Noncompliance with the Acquisition Manual and SCM increases the risk of overpaying for goods and services as well as the potential loss of the Purchasing Approval Authority delegation from DGS.

Recommendations

We recommend that DOE:

- Ensure DOE procurement staff are provided annual training on procurement requirements by DPAC.
- Ensure that Purchase Orders over \$5,000 are entered into Statewide Contract Procurement Registration System.
- Remind staff that purchases that are over \$5,000 have a bid/quote worksheet or similar document to provide evidence of the evaluation of multiple bids.

**Division of
Equipment's
Response**

DPAC will provide training to DOE Procurement staff in person or online by November 15, 2014 and annually thereafter. DOE will remind staff statewide of the requirement to enter purchases over \$5,000 into the SCRPS system by January 31, 2014. DOE's policy is to use the Miscellaneous Transaction Document (Form DME-136) to record all bids obtained for purchases, regardless of value. In addition, DOE will remind staff to ensure compliance with the requirements set forth in the DOE Materiel Services Handbook in compliance with the SCM Vol 2, Chapter 4, Topic 3, 4.B3.4.

**Finding 6 -
Purchase Orders
are Not Reported
to Department of
General Services**

Our review found that DOE is not providing all copies of the Purchase Orders to DGS as required.

The SCM Vol. 2, Chapter 8.3.7, requires that departments distribute the completed Purchase Orders to DGS upon issuance, or no later than monthly in accordance with the reporting requirements indicated on the Purchase Orders. In addition, SCM Vol. 2, Chapter 12.A1.0 requires departments to report all transactions including amended and cancelled transactions executed under its purchasing authority to DGS.

DPAC stated they provide all copies of non-DOE prepared purchase orders. However, DOE believes that DGS no longer requires copies of Purchase Orders and reports of all transactions. According to DOE, in late 2010, they stopped submitting Purchase Order copies and reporting all transactions because DGS informed them that their submittal resulted in too much paperwork. However, the request from DGS to DOE to end this practice was never documented in writing.

Noncompliance with the SCM without written permission from DGS increases the risk that the Purchasing Approval Authority delegation from DGS could be lost.

Recommendations

DOE request DPAC to obtain written clarification from DGS on whether copies of Purchase Orders need to be submitted to DGS. If required by DGS, DPAC should provide DOE guidance on the submittal process.

**Division of
Equipment's
Response**

As required by SCM Vol. 2, Chapter 12, DOE is submitting copies of Purchase Orders to DGS Procurement Division effective November 2013.

Audit Team

Laurine Bohamera, Chief, Internal Audits
Kevin Yee, Audit Manager
David Wong, Auditor-in-Charge
Jackson Siphon, Auditor

ATTACHMENT

**DIVISION OF PROCUREMENT AND CONTRACTS and
DIVISION OF EQUIPMENT'S RESPONSE
TO THE DRAFT REPORT**

Memorandum

*Flex your power!
Be energy efficient!*

To: WILLIAM E. LEWIS
Assistant Director
Audits and Investigations

Date: December 20, 2013

File: P3000-0415

From: FRANCESCA NEGRI, Chief 
Division of Procurement and Contracts

for LAWRENCE H. ORCUTT, Chief 
Division of Equipment

Subject: **Response to Draft Report – Division of Equipment Procurement Audit**

Attached is the Divisions' response to the Division of Equipment Procurement draft audit report. The Division of Procurement and Contracts and the Division of Equipment partnered in development of responses to the recommendations contained in the draft report.

If you have any questions on the response, please contact Kelly Takigawa at (916) 227-6879 or Keith Duncan at (916) 227-9506.

Attachment:
Response to Draft Report

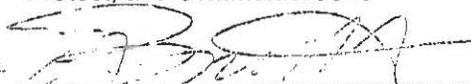
Audit Name: Division of Equipment Procurement
Audit Number: P3000-0415
Audit Series: Response to Draft Report

FINDINGS AND RECOMMENDATIONS 1		Status	Response Date(s)	Audit Series
DIVISION OF EQUIPMENT LACKS A FORMALIZED PURCHASING DELEGATION				
1:1	Recommended that DPAC re-evaluate whether DOE should be delegated the authority to make purchases.	In Process	12/19/13	Response to Draft
	Response: DPAC and DOE are discussing the appropriateness of DOE's delegated authority to make purchases and a determination will be made by June 30, 2014.			
1:2	If DPAC determines that DOE should be delegated purchasing authority, recommended that DPAC: <ul style="list-style-type: none"> • Formalize a sub-delegation of purchasing authority, and • Develop policy and procedures to provide oversight and monitoring of DOE's purchases. 	In Process	12/19/13	Response to Draft
	Response: If DPAC determines appropriate, DPAC will formalize a sub-delegation of purchasing authority which will include procedures for oversight and monitoring of DOE's purchases by June 30, 2014.			
FINDINGS AND RECOMMENDATIONS 2		Status	Response Date(s)	Audit Series
LACK OF PURCHASING AUTHORITY FOR COMMERCIAL REPAIRS				
2:1	Recommended that DPAC partner with DOE and DGS to seek alternate procurement methods for commercial repairs.	In Process	12/19/13	Response to Draft
	Response: If determined appropriate, DPAC and DOE will research alternate procurement options, initiate discussions with DGS by April 1, 2014, and develop a plan to implement alternative procurement methods for commercial repairs by October 31, 2014.			
FINDINGS AND RECOMMENDATIONS 3		Status	Response Date(s)	Audit Series
DIVISION OF PROCUREMENT AND CONTRACTS WAREHOUSE STAFF ARE NOT PROPERLY COMPLETING RECEIVING RECORDS				
3:1	Recommended that DPAC should ensure that the receiving staff properly complete the Purchase Orders when goods are received and submit the completed Purchase Orders to the buyer/requestor timely.	Complete	12/19/13	Response to Draft
	Response: DPAC Property Control Branch developed and implemented procedures for the receipt of property at its warehouse facility in February 2011. The procedures require that the Purchase Order be signed and dated by the recipient and a copy provided to the buyer. DPAC reviewed procedures with staff on August 17, 2013 and will continue to regularly monitor compliance with the requirements.			

Audit Name: Division of Equipment Procurement
Audit Number: P3000-0415
Audit Series: Response to Draft Report

FINDINGS AND RECOMMENDATIONS 4 CONFLICT OF INTEREST CERTIFICATIONS ARE NOT COMPLETED TIMELY NOR RETAINED		Status	Response Date(s)	Audit Series
4:1	Recommended that DOE enforce the requirements for signing and retaining the Conflict of Interest forms.	In Process	12/19/13	Response to Draft
	Response: DOE will have a signed copy of the new Conflict Of Interest and Confidentiality Statement Certification (ADM3080) for every employee of the Division by June 30, 2014. DOE will maintain inventory, track completion, and ensure subsequent completion of COI forms as required by policy.			
FINDINGS AND RECOMMENDATIONS 5 CONTROL WEAKNESSES EXIST OVER PURCHASE ORDERS		Status	Response Date(s)	Audit Series
5:1.1	Recommended that DOE ensure DOE procurement staff is provided annual training on procurement requirements by DPAC.	In Process	12/19/13	Response to Draft
	Response: DPAC will provide training to DOE procurement staff in person or online by November 15, 2014 and annually thereafter or as change in business processes require.			
5:1.2	Recommended that DOE ensure that Purchase Orders over \$5,000 are entered into Statewide Contract Procurement Registration System.	In Process	12/19/13	Response to Draft
	Response: DOE will remind staff statewide of this requirement by January 31, 2014.			
5:1.3	Recommend that DOE reminds staff that purchases that are over \$5,000 require a bid/quote worksheet or similar document to provide evidence of the evaluation of multiple bids.	Complete	12/19/13	Response to Draft
	Response: DOEs policy is to use the Miscellaneous Transaction Document (Form DME-136) to record all bids obtained for purchases, regardless of value. DOE will remind staff to ensure compliance with the requirements set forth in the DOE Materiel Services Handbook in compliance with the State Contracting Manual (SCM) Vol 2, Chapter 4, Topic 3, 4.B3.4.			
FINDINGS AND RECOMMENDATIONS 6 PURCHASE ORDERS ARE NOT REPORTED TO DEPARTMENT OF GENERAL SERVICES		Status	Response Date(s)	Audit Series
6:1	Recommended that DOE request DPAC to obtain written clarification from DGS on whether copies of Purchase Orders need to be submitted to DGS. If required by DGS, DPAC should provide DOE guidance on the submittal process.	Complete	12/19/13	Response to Draft
	Response: As required by the SCM Vol. 2, Chapter 12, effective November 2013, DOE is submitting copies of Purchase Orders to DGS Procurement Division at the following address: 707 Third Street, Second Floor South MS 2-205, West Sacramento, CA 95605.			

Audit Name: Division of Equipment Procurement
Audit Number: P3000-0415
Audit Series: Response to Draft Report

Approving Managers	Date Received Audit	Approval Date	Comments
Jennifer Burnett, Office Chief, Policy, Protest, and Communications 		12/20/13	
Jason Cook, Materiel Services Office Chief, Division of Equipment 			
Keith Duncan, Budgets and Administration Office Chief, Division of Equipment 			
Kelly Takigawa, Assistant Division Chief, Division of Procurement and Contracts 			
Megan Rettke, Assistant Division Chief, Division of Procurement and Contracts 			