

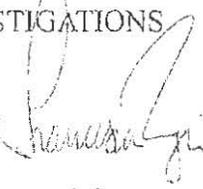
# Memorandum

*Serious drought.  
Help Save Water!*

To: WILLIAM E. LEWIS  
ASSISTANT DIRECTOR  
AUDITS AND INVESTIGATIONS

Date: January 9, 2015

File: P4000-0390

From: FRANCESCA NEGRI   
Division Chief  
Division of Procurement and Contracts

Subject: **180 - DAY RESPONSE TO THE DGS CONTRACT DELEGATION AUDIT**

The Division of Procurement and Contracts (DPAC) has attached the 180-Day Response to the DGS Contract Delegation Audit Report dated June 30, 2014. DPAC has completed the remaining action items as scheduled.

Attachments:



Audits and Investigations (A&I) - 180 Day Response				
Audit Name: <b>DGS Contract Delegation</b>		Audit No. <b>P4000-0390</b>		
Auditee: <b>Division of Procurement and Contracts</b>				
<b>Audit Report Finding # 1</b>				
<b>List Finding Here Small Dollar Value Contracts did not Always Comply with the State Contracting Manual</b>				
A&I Audit Recommendation	Auditee Response to Draft Report	Estimated Completion Date	Staff Responsible	A&I Analysis
Audits recommends that DPAC implement appropriate oversight and training to ensure that the preparers of small dollar value contracts obtain at least two quotes or cost justification documentation when selecting vendors; and retain documentation in the contract files.	A training module has been developed and published on the DPAC intranet site for use by Caltrans staff statewide. The comprehensive training discusses the requirements for obtaining two quotes (or cost justification) and file documentation.	August 31, 2013	Charles Gray	
Audits recommends that DPAC continue with the actions taken to address split purchases and monitor small dollar contracts periodically for split purchases.	DPAC developed and implemented a tracking system to evaluate each incoming small dollar contract request to identify split purchases in real time. If a request appears to be split, it is denied and returned to the requestor.	January 31, 2014	Charles Gray	
<b>Audit Report Finding # 2</b>				
<b>List Finding Here Some CAL-Card Purchase did not Comply with the CAL-Card Handbook</b>				
Audits recommend DPAC continue to monitor CAL-Card purchases and notify cardholders and approving officials when the cardholders have violated established rules.	DPAC implemented a new comprehensive compliance program in October 2013. The program includes the review of Statement of Accounts, evaluation of purchases, and progressive notification of violations which, if not corrected, may result in card cancellation.	October 31, 2013	Mari Jo Snider	
Audits recommend DPAC take appropriate action for violations to ensure cardholders and approving officials comply with established handbook rules.	DPAC implemented a new comprehensive compliance program in October 2013. The program includes the review of Statement of Accounts, evaluation of purchases, and progressive notification of violations which, if not corrected, may result in card cancellation.	October 31, 2013	Mari Jo Snider	
<b>Audit Report Finding # 3</b>				
<b>List Finding Here Work on Some Contracts Started Before Contract Approval</b>				
Audits recommend DPAC ensure that verbal communication for work to start for expert witness contracts is followed up in writing and retained in the contract file.	DPAC developed and maintains a mandatory Contract Manager Training. The training module has been revised to include direction to Contract Managers regarding written notification to Contractor to begin work and the requirement to retain such notification in the contract file. The requirement is currently contained in the Contract Manager Handbook.	June 27, 2014	Lisa Martin	
Audits recommend DPAC emphasize procedures to ensure that contracts are fully executed by requiring authorized signatures before work starts.	DPAC developed and maintains a mandatory Contract Manager Training. The training module has been revised to emphasize the requirement for Contract Managers to provide written notification to Contractor to begin work only after the contract is fully executed (all required signatures are obtained). The requirement is currently contained in the Contract Manager Handbook.	June 27, 2014	Lisa Martin	
Audits recommend DPAC emphasize to contract managers that payment for services rendered may only be authorized after contract approval.	DPAC developed and maintains a mandatory Contract Manager Training. The training module has been revised to emphasize that invoice approval and payment processing cannot be authorized prior to contract execution. The requirement is currently contained in the Contract Manager Handbook.	June 27, 2014	Lisa Martin	
<b>Audit Report Finding # 4</b>				
<b>List Finding Here Hazardous Waste Contracts were not Submitted to DGS for Approval</b>				
Audits recommend DPAC implement appropriate oversight and training for contract analysts to ensure all hazardous waste contracts were approved by DGS.	On November 25, 2014, the Department of General Services' (DGS) Office of Risk and Insurance Management (ORIM) provided training to DPAC contract and procurement analysts. The contract risk management insurance Training session focused on insurance requirements and DGS ORIM's role, including the topic of contracts for hazardous activities.	November 30, 2014	Lisa Martin	
Audits recommend DPAC ensures all contracts are properly coded for accurate reporting of all contract data.	DPAC will remind staff of the requirements for entering contract data into the contract tracking system (CATS) and remind Contract Officers to ensure coding was properly entered before signing any contract.	July 1, 2014	Sabrina McGiothin	

Audits and Investigations (A&I) - 180 Day Response				
Audit Name: <b>DGS Contract Delegation</b>		Audit No. <b>P4000-0390</b>		
Auditee: <b>Division of Procurement and Contracts</b>				
<b>Audit Report Finding # 5</b>				
<b>List Finding Here Contract Managers are not Always Reviewing Invoices Adequately</b>				
Audits recommend DPAC remind contract managers of their contract administration responsibilities through written correspondence and by requiring formal on-going training.	DPAC facilitated issuance of policy notifying Contract Managers of their responsibilities and requiring annual Contract Manager training (DD-112 issued March 13, 2014).	March 13, 2014	Lisa Martin	
<b>Audit Report Finding # 6</b>				
<b>List Finding Here Missing Contract Files and Documentation</b>				
Audits recommend DPAC continue to locate the missing contract files.	The contract file deemed missing during the audit (contract number 32A0149) has been located. DPAC has implemented a new filing system which imposes controls to ensure files are accounted for when checked out of the primary filing locations.	December 31, 2014	Sabrina McGlothlin	
Audits recommend DPAC implement a process such as a checkout cards requiring staff to sign for files when checked out.	DPAC adjusted the filing system process, leveraging current technology, to track the retrieval, storage, and return of files within the filing system.	October 31, 2014	Sabrina McGlothlin	
Audits recommend DPAC retain all contract files in accordance with the record retention policy.	The Caltrans Records Retention Schedule (RRS) Coordinator is facilitating a regular department-wide update of all RRS on file with DGS. DPAC has updated its RRS through this process and is awaiting review and approval scheduled for February 3, 2015.	October 31, 2014	Sabrina McGlothlin	
Audits recommend DPAC record the registration number assigned by SCPRS on all purchase documents during the procurement process.	DPAC will remind staff of the requirements for recording the SCPRS number on the purchasing documents and remind Contract Officers to ensure the information is properly recorded before signing any contract or purchase order.	July 1, 2014	Sabrina McGlothlin	
Audits recommend DPAC develop and implement a process to ensure that the contract/contractor evaluation form, STD 4, is prepared within 60 days of the completion for all consultant services for \$5,000 or more, and retain the form for 36 months.	Contract managers are currently advised of the evaluation requirements through content in the contract managers training, handbook and distribution letter. DPAC has revised content in the contract managers training to emphasize and clarify the requirement to complete and submit the contractor evaluation form (Std. 4) within 60 days after the expiration of consulting services contracts in excess of \$5,000 as required by PCC 10367 and PCC 10369. DPAC has developed and implemented a process to ensure the contractor evaluation form (Std. 4) is prepared and submitted within 60 days after the expiration of the consulting contract; and retention of the form for 36 months.	August 31, 2014	Sabrina McGlothlin	
<b>Audit Report Finding # 7</b>				
<b>List Finding Here Data discrepancies in the Contract Administration Tracking System</b>				
Audits recommend DPAC correct the inaccurate data identified in CATS and implement procedures to ensure data accuracy.	DPAC will correct the inaccurate data in CATS, remind Contract Officers to ensure coding was properly entered before signing any contract, and implement a process to review a sampling of CATS entries for accuracy on a quarterly basis.	July 1, 2014	Sabrina McGlothlin	
Audits recommend DPAC ensure contract analysts review the data in CATS at the time of contract execution to ensure its accuracy.	DPAC will remind staff of the requirements for entering contract data into the contract tracking system (CATS) and remind Contract Officers to ensure coding was properly entered before signing any contract.	July 1, 2014	Sabrina McGlothlin	

# Memorandum

*Serious drought.  
Help Save Water!*

To: WILLIAM E. LEWIS  
ASSISTANT DIRECTOR  
AUDITS AND INVESTIGATIONS

Date: September 12, 2014

File: P4000-0390

From: FRANCESCA NEGRI  
Division Chief  
Division of Procurement and Contracts

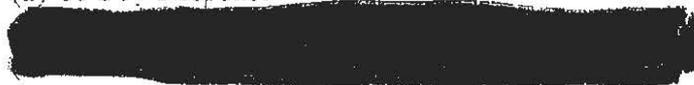
*Megan  
for  
FRette*

Subject: **60 - DAY RESPONSE TO THE DGS CONTRACT DELEGATION AUDIT**

The Division of Procurement and Contracts (DPAC) has attached the 60-Day Response to the DGS Contract Delegation Audit Report dated June 30, 2014. DPAC has implemented 13 of the 17 audit finding dispositions and is on track to complete the remaining action items as scheduled.

Attachments:

(1) 60 Day Response



**Audits and Investigations (A&I) - 60 Day Response**

**Audit Name: DGS Contract Delegation**

**Audit No. P4000-0390**

Auditee: Division of Procurement and Contracts

**Audit Report Finding # 1**

**List Finding Here Small Dollar Value Contracts did not Always Comply with the State Contracting Manual**

<b>A&amp;I Audit Recommendation</b>	<b>Auditee Response to Draft Report</b>	<b>Estimated Completion Date</b>	<b>Staff Responsible</b>	<b>A&amp;I Analysis</b>
Audits recommends that DPAC implement appropriate oversight and training to ensure that the preparers of small dollar value contracts obtain at least two quotes or cost justification documentation when selecting vendors; and retain documentation in the contract files.	A training module has been developed and published on the DPAC intranet site for use by Caltrans staff statewide. The comprehensive training discusses the requirements for obtaining two quotes (or cost justification) and file documentation.	August 31, 2013	Charles Gray	Finding addressed. No further follow-up necessary.
Audits recommends that DPAC continue with the actions taken to address split purchases and monitor small dollar contracts periodically for split purchases.	DPAC developed and implemented a tracking system to evaluate each incoming small dollar contract request to identify split purchases in real time. If a request appears to be split, it is denied and returned to the requestor.	January 31, 2014	Charles Gray	Finding addressed. No further follow-up necessary.

**Audit Report Finding # 2**

**List Finding Here Some CAL-Card Purchase did not Comply with the CAL-Card Handbook**

Audits recommend DPAC continue to monitor CAL-Card purchases and notify cardholders and approving officials when the cardholders have violated established rules.	DPAC implemented a new comprehensive compliance program in October 2013. The program includes the review of Statement of Accounts, evaluation of purchases, and progressive notification of violations which, if not corrected, may result in card cancellation.	October 31, 2013	Mari Jo Snider	Reviewed by A&I
Audits recommend DPAC take appropriate action for violations to ensure cardholders and approving officials comply with established handbook rules.	DPAC implemented a new comprehensive compliance program in October 2013. The program includes the review of Statement of Accounts, evaluation of purchases, and progressive notification of violations which, if not corrected, may result in card cancellation.	October 31, 2013	Mari Jo Snider	Reviewed by A&I

**Audit Report Finding # 3**

**List Finding Here Work on Some Contracts Started Before Contract Approval**

Audits recommend DPAC ensure that verbal communication for work to start for expert witness contracts is followed up in writing and retained in the contract file.	DPAC developed and maintains a mandatory Contract Manager Training. The training module has been revised to include direction to Contract Managers regarding written notification to Contractor to begin work and the requirement to retain such notification in the contract file. The requirement is currently contained in the Contract Manager Handbook.	June 27, 2014	Lisa Martin	Confirmed by A&I
Audits recommend DPAC emphasize procedures to ensure that contracts are fully executed by requiring authorized signatures before work starts.	DPAC developed and maintains a mandatory Contract Manager Training. The training module has been revised to emphasize the requirement for Contract Managers to provide written notification to Contractor to begin work only after the contract is fully executed (all required signatures are obtained). The requirement is currently contained in the Contract Manager Handbook.	June 27, 2014	Lisa Martin	Confirmed by A&I
Audits recommend DPAC emphasize to contract managers that payment for services rendered may only be authorized after contract approval.	DPAC developed and maintains a mandatory Contract Manager Training. The training module has been revised to emphasize that invoice approval and payment processing cannot be authorized prior to contract execution. The requirement is currently contained in the Contract Manager Handbook.	June 27, 2014	Lisa Martin	Confirmed by A&I

**Audit Report Finding # 4**

**List Finding Here Hazardous Waste Contracts were not Submitted to DGS for Approval**

Audits recommend DPAC implement appropriate oversight and training for contract analysts to ensure all hazardous waste contracts were approved by DGS.	DPAC will partner with DGS Office of Risk and Insurance Management to develop and issue training to Contract Analysts regarding the requirements for hazardous waste contract approvals.	November 30, 2014	Lisa Martin	Pending
Audits recommend DPAC ensure all contracts are properly coded for accurate reporting of all contract data.	DPAC will remind staff of the requirements for entering contract data into the contract tracking system (CATS) and remind Contract Officers to ensure coding was properly entered before signing any contract.	July 1, 2014	Sabrina McGlothlin	Action appears adequate to address finding and recommendation.

**Audits and Investigations (A&I) - 60 Day Response**

**Audit Name: DGS Contract Delegation**

**Audit No. P4000-0390**

Auditee: Division of Procurement and Contracts

**Audit Report Finding # 5**

**List Finding Here Contract Managers are not Always Reviewing Invoices Adequately**

Audits recommend DPAC remind contract managers of their contract administration responsibilities through written correspondence and by requiring formal on-going training.	DPAC facilitated issuance of policy notifying Contract Managers of their responsibilities and requiring annual Contract Manager training (DD-112 issued March 13, 2014).	March 13, 2014	Lisa Martin	Reviewed by A&I. Action appears adequate to address finding and recommendation.
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**Audit Report Finding # 6**

**List Finding Here Missing Contract Files and Documentation**

Audits recommend DPAC continue to locate the missing contract files.	DPAC will continue efforts to locate the missing contract files.	December 31, 2014	Sabrina McGlothlin	Pending
Audits recommend DPAC implement a process such as a checkout cards requiring staff to sign for files when checked out.	DPAC will adjust the existing checkout filing system using current technology to track the location of files when they are checked out and not in their primary filing location.	October 31, 2014	Sabrina McGlothlin	Pending
Audits recommend DPAC retain all contract files in accordance with the record retention policy.	DPAC will modify the current records retention process and schedule and implement changes deemed necessary to improve internal controls.	October 31, 2014	Sabrina McGlothlin	Pending
Audits recommend DPAC record the registration number assigned by SCPRS on all purchase documents during the procurement process.	DPAC will remind staff of the requirements for recording the SCPRS number on the purchasing documents and remind Contract Officers to ensure the information is properly recorded before signing any contract or purchase order.	July 1, 2014	Sabrina McGlothlin	Reviewed by A&I. Action appears adequate to address finding and recommendation.
Audits recommend DPAC develop and implement a process to ensure that the contract/contractor evaluation form, STD 4, is prepared within 60 days of the completion for all consultant services for \$5,000 or more; and retain the form for 36 months.	Contract managers are currently advised of the evaluation requirements through content in the contract managers training, handbook and distribution letter. DPAC has revised content in the contract managers training to emphasize and clarify the requirement to complete and submit the contractor evaluation form (Std. 4) within 60 days after the expiration of consulting services contracts in excess of \$5,000 as required by PCC 10367 and PCC 10369. DPAC has developed and implemented a process to ensure the contractor evaluation form (Std. 4) is prepared and submitted within 60 days after the expiration of the consulting contract; and retention of the form for 36 months.	August 31, 2014	Sabrina McGlothlin	Reviewed by A&I. Action appears adequate to address finding and recommendation.

**Audit Report Finding # 7**

**List Finding Here Data discrepancies in the Contract Administration Tracking System**

Audits recommend DPAC correct the inaccurate data identified in CATS and implement procedures to ensure data accuracy.	DPAC will correct the inaccurate data in CATS, remind Contract Officers to ensure coding was properly entered before signing any contract, and implement a process to review a sampling of CATS entries for accuracy on a quarterly basis.	July 1, 2014	Sabrina McGlothlin	Reviewed by A&I. Action appears adequate to address finding and recommendation.
Audits recommend DPAC ensure contract analysts review the data in CATS at the time of contract execution to ensure its accuracy.	DPAC will remind staff of the requirements for entering contract data into the contract tracking system (CATS) and remind Contract Officers to ensure coding was properly entered before signing any contract.	July 1, 2014	Sabrina McGlothlin	Reviewed by A&I. Action appears adequate to address finding and recommendation.