

Memorandum

*Serious drought.
Help Save Water!*

To: WILLIAM E. LEWIS
Assistant Director
Audits and Investigations

Date: August 14, 2015

File: P3000-0415

From: FRANCESCA NEGRI 
Chief
Division of Procurement and Contracts
LH Orcutt
LAWRENCE H. ORCUTT
Chief
Division of Equipment

Subject: **180-DAY FOLLOW-UP DIVISION OF EQUIPMENT PROCUREMENT AUDIT UPDATE**

Attached is the Division of Procurement and Contracts (DPAC) and Division of Equipment (DOE) 180-day follow-up to the Division of Equipment Procurement Audit final report. DPAC and DOE continue to maintain an open dialogue with the Department of General Services to identify the most appropriate method for DOE to obtain commercial repairs for mobile fleet.

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

Attachments

- (1) 180-Day Follow-up Status Report Update
- (2) DOE Sub-Delegation Agreement
- (3) DPAC Sub-Delegation Process

c: Kelly Takigawa, Assistant Division Chief, DPAC
Samuel Pence, Acting Office Chief, Equipment Budget and Administration, DOE

Audits and Investigations (A&I) Audit Finding Status Report Update					
Audit Name: DOE PROCUREMENT		Auditee: DPAC & DOE		Audit No. P3000-0415	
Audit Report Finding # 1 DOE Lacks a Formalized Purchasing Delegation					
A&I Audit Recommendation	Auditee Original Response to Report	60-Day Status	360-Day Update	180-Day Follow-up Update	A&I Analysis/Status and Date
DPAC re-evaluate whether DOE should be delegated the authority to make purchases.	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	DPAC and DOE continue discussing the appropriateness of DOE's delegated authority to make purchases and a determination will be made by June 30, 2014.	DOE will submit a request for sub-delegation of purchasing authority to DPAC on February 17, 2015. Upon receipt of the sub-delegation application package, DPAC will evaluate and make a determination within 30 days.	DPAC and DOE have executed a Delegation Agreement that grants DOE the authority to make purchases through October 31, 2016. DOE's delegated authority applies solely to and for DOE's purchase of non-information technology (non-IT) goods and for the purchase of Caltrans mobile fleet equipment and components pursuant to the terms of Caltrans' Expanded Purchasing Authority granted by DGS.	Completed
If DPAC determines that DOE should be delegated purchasing authority, recommend that DPAC: 1) Formalize a sub-delegation of purchasing authority, and 2) Develop policy and procedures to provide oversight and monitoring of DOE's purchases.	If appropriate, DPAC will formalize a sub-delegation which will include procedures for oversight and monitoring of DOE's purchases by June 30, 2014.	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.	DPAC has developed procedures for oversight and monitoring of DOE's purchasing activities that will be employed if sub-delegation is granted.	DPAC has developed procedures for oversight and monitoring of DOE's purchasing activities that will be employed over the term of DOE's sub-delegation agreement.	Completed
Audit Report Finding # 2 Lack of Purchasing Authority for Commercial Repairs					
A&I Audit Recommendation	Auditee Original Response to Report	60-Day Status	360-Day Update	180-Day Follow-up Update	A&I Analysis/Status and Date
It is recommended that DPAC partner with DOE and DGS to seek alternate procurement methods for commercial repairs.	If determined appropriate, DPAC and DOE will research alternate procurement options, initiate discussions with DGS, and develop a plan to implement alternative procurement methods for commercial repairs by October 31, 2014.	DPAC and DOE continue evaluating the appropriateness of implementing an alternative procurement method to obtain commercial repairs. DOE will conclude its research of procurement practices and authority of other State Agencies that manage and repair a statewide fleet by June 30, 2014.	DOE concluded its initial research of Commercial Repair procurement, practices and authorities of other State agencies (such as CHP, DGS, Forestry) that also manage a State owned fleet. The research found that other State agencies use similar practices. For alternative procurement methods, representatives from DOE, DPAC, and DGS had an initial meeting on September 4, 2014. A subsequent meeting is scheduled for February 26, 2015 to pursue a pilot Leveraged Procurement Agreement for Commercial Repair.	DPAC and DOE will continue to partner with DGS to seek alternative procurement methods for commercial repairs. All parties are continuing to evaluate the effectiveness of pursuing a pilot Leveraged Procurement Agreement for Commercial Repair and the next meeting will be held in September 2015.	In Progress
Audit Report Finding # 3 DPAC Warehouse staff are not properly completing receiving records.					
A&I Audit Recommendation	Auditee Original Response to Report	60-Day Status	360-Day Update	180-Day Follow-up Update	A&I Analysis/Status and Date
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.	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.				Completed
Audit Report Finding # 4 Conflict of Interest Certifications are not Completed Timely Nor Retained.					
A&I Audit Recommendation	Auditee Original Response to Report	60-Day Status	360-Day Update	180-Day Follow-up Update	A&I Analysis/Status and Date
We recommend DOE enforce the requirements for signing and retaining the Conflict of Interest forms.	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.	DOE is on track to have a signed copy of the new COI 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.	DOE obtained signed COIs for all purchasing staff before June 30, 2014. The documents are on file and managed by DOE's Office of Material Services Purchasing Branch.		Completed

Audit Name: DOE PROCUREMENT

Audits and Investigations (A&I) Audit Finding Status Report Update

Audit No. P3000-0415

Auditee: DPAC & DOE

Audit Report Finding # 5

Control Weaknesses Exist over Purchase Orders

A&I Audit Recommendation	Auditee Original Response to Report	60-Day Status	360-Day Update	180-Day Follow-up Update	A&I Analysis/Status and Date
Recommend that DOE ensure DOE procurement staff is provided annual training on procurement requirements by DPAC.	DPAC will provide training to DOE Procurement staff in person or online by November 15, 2014 and annually thereafter.	DPAC will provide training to DOE Procurement staff in person or online by November 15, 2014 and annually thereafter.	DOE procurement staff receives training from DPAC as training sessions are developed and issued. To date, DOE has obtained the following procurement requirement training: 1) California Insurance Requirements, and 2) SB Participation and DVBE Incentive.	DOE procurement staff receives training from DPAC as training sessions are developed and issued. To date, DOE has obtained the following procurement requirement training: 1) California Insurance Requirements, and 2) SB Participation and DVBE Incentive. DOE is currently developing a plan to have all DOE buyers complete responsibility training.	Completed
Recommend that DOE ensure that Purchase Orders over \$5,000 are entered into Statewide Contract Procurement Registration System.	DOE will remind staff statewide of the requirement to enter purchases over \$5,000 into the SCPRS system.	DOE reminded staff of this requirement at a statewide conference call on December 30, 2013.			Completed
Recommend that DOE reminds 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.	DOE's 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 SCM Vol 2, Chapter 4, Topic 3, 4.B3.4.	DOE's policy is to use the Miscellaneous Transaction Document (Form DME-136) to record all bids obtained for purchases, regardless of value. DOE has reminded 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.			Completed

Audit Report Finding # 6

Purchase Order are Not Reported to Department of General Services

A&I Audit Recommendation	Auditee Original Response to Report	60-Day Status	360-Day Update	180-Day Follow-up Update	A&I Analysis/Status and Date
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.	As required by SCM Vol. 2, Chapter 12, DOE is submitting copies of Purchase Orders to DGS Procurement Division effective November 2013.				Completed

**DEPARTMENT OF TRANSPORTATION
DIVISION OF PROCUREMENT AND CONTRACTS
DELEGATION AGREEMENT**

DELEGATION OF AUTHORITY TO	NUMBER:	2015-DOE-GD-1
Chief, Division of Equipment	SUPERSEDES:	N/A
ACQUISITION TYPES	EFFECTIVE DATE:	August 14, 2015
Non-Information Technology Goods Purchases	EXPIRATION DATE:	October 31, 2016
Mobile Fleet Equipment and Components		

Delegation of authority to sign purchase documents for the California Department of Transportation (Caltrans) resides with the Department's Procurement and Contracting Officer, the Chief of the Division of Procurement and Contracts (DPAC). Unless authorized by statute, all departmental divisions requesting approval to sign and execute purchases must receive formal delegation from DPAC. This delegation is to ensure that the best interests of the State are preserved, and purchases are in compliance with all applicable laws, rules, regulations, and established policies.

The Chief, Division of Equipment (DOE) is hereby delegated authority to oversee the processing and execution of purchase documents to acquire the materials and parts necessary to the construction and repair of any equipment owned or used by Caltrans. The authority delegated to DOE applies solely to and for DOE's purchase of non-information technology (non-IT) goods and for the purchase of Caltrans mobile fleet equipment and components pursuant to the terms of Caltrans' Expanded Purchasing Authority granted by DGS. The Delegation Agreement is effective for the period specified above and must be renewed annually thereafter. This delegation is predicated upon DOE's acceptance of and compliance with the criteria set forth below:

A. Delegation of Authority

1. Full Authority is hereby delegated to the Chief, DOE to process, approve, and execute purchases under DPAC's delegation for non-IT goods Purchase Orders within the following limits:

	Categories	Non-IT Goods
Procurement Method	1. Heavy Construction and Road Equipment and Components	\$ 2,500,000.00
	2. CMAS (Goods)	\$ 100,000.00
	3. Competitive	\$ 100,000.00
	4. Cooperative Agreement (WSCA)	as noted in User Instructions
	5. Master Agreement	\$ 500,000.00
	6. NCB Justification	\$ 25,000.00
	7. NCB Procurement (As a result of Approved NCB Justification)	\$ 100,000.00
	8. Prison Industry Authority (PIA)	\$ Unlimited
	9. SB/DVBE Option	\$ 249,999.99
	10. DGS Statewide Contract Orders	\$ Unlimited
	11. State Price Schedule	\$ 25,000.00

DEPARTMENT OF TRANSPORTATION
DIVISION OF PROCUREMENT AND CONTRACTS
DELEGATION AGREEMENT

2. The authority may be exercised personally or sub delegated to subordinates by written authorization.
3. DOE may only exercise this authority to purchase non-IT goods in support of DOE statewide operations of Caltrans mobile fleet, equipment components, and shop operations.

B. Signature Authority

The Chief, DOE is authorized to sign or to designate subordinates (management level staff) to sign non-IT PO's on behalf of DOE. DOE must maintain a listing of all staff that has received delegated signature authority to execute non-IT PO's. DOE must ensure a current copy is provided to the DPAC Policy Branch and the Division of Accounting Service Payables Branch.

C. Non-Competitively Bid (NCB) Procurements

Unless otherwise exempted by statute or DGS policy, if a purchase valued at \$5,000 or more cannot be competitively bid, DOE must prepare a Non-Competitively Bid (NCB) Justification (ADM 3007) and submit it to the DPAC Acquisitions Office for review and approval. DPAC will ensure compliance with all requirements; however, DOE will facilitate approval by all required authorities. NCB Justifications exceeding \$25,000 must be approved by Caltrans' Director, Agency Secretary and DGS' Procurement Division (DGS/PD) before the PO can be processed.

D. Training

Any DOE staff that participates in the processing and execution of non-IT purchasing documents must be appropriately trained. DOE must establish and maintain training plans for updating staff on procedures for writing, processing, and executing PO's under this delegation. The training plans and the execution thereof shall be submitted to DPAC when requesting renewal of this delegation.

E. References and Resources

DOE shall adhere to the DPAC Acquisitions Manual, Department of General Services (DGS) State Contracting Manual (SCM) (Volume 2), and applicable laws and regulations when processing and executing non-IT goods PO's. The DGS SCM is available at: <http://www.ols.dgs.ca.gov/Contract%20Manual/default.htm>.

F. Procedures and Manuals

DOE shall establish and maintain internal procedures and manuals for the following processes:

- Processing acquisition documents
- External review and approval of acquisitions
- Records Retention Schedule and File Management

G. Official Procurement File

DOE will establish and maintain a complete official PO file for each original PO and any subsequent amendments that may be executed. The file must contain all documentation supporting the purchase. Files will be retained in DOE in accordance with the DPAC retention schedule.

DEPARTMENT OF TRANSPORTATION
DIVISION OF PROCUREMENT AND CONTRACTS
DELEGATION AGREEMENT

H. Conflict of Interest and Confidentiality Statement Certification (ADM-3080)

DOE must have a signed copy of the Conflict of Interest and Confidentiality Statement Certification (ADM3080) for every employee involved in preparing or approving procurement documents, receiving materials or parts, approving payment, and/or making the payment. DOE will maintain records, track completion, and ensure subsequent completion of COI forms as required by policy.

I. State Contract and Procurement Registration System (SCPRS)

DOE will input transaction information into SCPRS as required. The resulting SCPRS Contract Registration Number must be noted on the Purchasing Authority Purchase Order (STD. 65) or as required by DGS.

J. Upon PO execution, DOE must report all transactions including amended and cancelled transactions executed under its purchasing authority as required by SCM Volume 2, Chapter 12. DOE may elect to register all transactions (including those less than \$5,000) in SCPRS. Executed POs not reported in SCPRS must be submitted to DGS/PD by mail at the following address:

DGS/PD

Department of General Services
Procurement Division
Data Entry Unit – Second Floor South MS 2-205
P.O. Box 989052
West Sacramento, CA 95798-9052

K. Protests, Disputes, Claims, and Terminations

1. Upon notice of any impending dispute, claim, or termination, DOE shall immediately notify DPAC. DPAC will, in partnership with DOE and Caltrans Legal, review and resolve the matter as appropriate.
2. DOE must cease all activity and report all protests within 24 hours of receipt. Notice shall be provided by email and followed up with hard copy by mail to both DPAC and DGS/PD (contact information listed below).

DPAC will notify Caltrans Legal Division and facilitate the development, approval, and submission of a protest response. DOE staff will actively participate with DPAC in the development of the response to ensure the facts of the matter are accurately represented.

DPAC

1727 30th Street, MS-65
Sacramento, CA 95816
Fax: (916) 227-1950
Email: DPAC.Protest.Disputes.Terminations@dot.ca.gov

DEPARTMENT OF TRANSPORTATION
DIVISION OF PROCUREMENT AND CONTRACTS
DELEGATION AGREEMENT

DGS/PD

Attn: Dispute Resolution
707 3rd St
West Sacramento, CA 95605
Fax: 916/376-6226
E-mail: PDProtest@dgs.ca.gov

- L. DPAC responsibilities in regards to DOE non-IT goods PO's:
1. Maintain the DPAC Acquisitions Manual.
 2. Prepare mandated reports of purchasing activity that are required of Caltrans by DGS or other entities.
 3. Extend procurement training opportunities offered to DPAC staff to DOE staff.
 4. Compliance reviews to ensure conformity with the conditions set forth in this delegation will be conducted on an annual basis. The compliance review process will ensure staff understands the program and its responsibilities while assessing the strengths and weaknesses in the implementation of the delegated authority. The information gathered will be obtained through interviews as well as document reviews. DPAC will compare practices against documented processes, identify errors and omissions, and identify best practices. DPAC will report its findings to the Chief, DOE.

M. Delegation Agreement Renewal

Request for renewal must be submitted in writing at least 60 days prior to the expiration date of current delegation.



Lawrence H. Orcutt
Chief, Division of Equipment

8-13-15
Date



Francesca Negri
Chief, Division of Procurement and Contracts

8-14-15
Date

DPAC Sub-Delegation Procedures

Summary:

DPAC will consider a customer's request for sub-delegation to perform certain business activities for which DPAC has been granted exclusive authority. The requesting business area must complete a formal application and supply DPAC with information to demonstrate the existence of sufficient internal controls. If approval is granted, DPAC will review a sampling of business processes for compliance with requirements on a regular basis, re-evaluating the appropriateness of authority before granting renewal.

Application Process:

1. Requestor shall complete and submit a sub-delegation authority application package. The application package must be completed in its entirety, signed by the appropriate level of authority, and include the following attachments:
 - Organizational chart
 - List of staff to be granted authority, if approved.
 - Training plan
 - Relevant internal policies
 - Procedure and/or desk manuals
2. Upon receipt of sub-delegation authority application package the Policy Branch will evaluate the information for completeness and accuracy. Within 30 days, the Policy Branch will conclude its review and seek clarification of the requestor, if necessary.
3. DPAC will issue a preliminary decision through memorandum, identifying:
 - Any deficiencies
 - Areas of improvement
 - Follow-up/ action plan
4. Upon receipt of all required information, DPAC will issue a sub-delegation authority agreement for approval by both parties.

Monitoring:

1. Compliance reviews shall be conducted regularly. The reviews will sample 10% of delegated transactions (e.g.: contract, purchase, property tag, etc.) for compliance with requirements.
 - DPAC shall conduct a compliance review annually for the first two years of a newly established sub-delegation.
 - Subsequent compliance reviews will be conducted bi-annually, or as needed if issues arise and when policies change, after the second year and thereafter.
2. Findings
 - The result of compliance reviews will be reported to the requestor and any deficiencies must be remedied within a six (6) month period.
 - Failure to remedy deficiencies within the time allotted may result in revocation of the sub-delegation agreement.

Memorandum

*Serious drought.
Help Save Water!*

To: WILLIAM E. LEWIS
Assistant Director
Audits and Investigations

Date: April 18, 2014

File: P3000-0415

From:  FRANCESCA NEGRI
Chief
Division of Procurement and Contracts


 LAWRENCE ORCUTT
Chief
Division of Equipment

Subject: **60 DAY DIVISION OF EQUIPMENT PROCUREMENT AUDIT RESPONSE**

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: 60 Day Response to Draft Report

Audit Name: Division of Equipment Procurement
Audit Number: P3000-0415
Audit Series: 60 Day Response

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 04/18/14	Draft Audit 60 Day
	Response: DPAC and DOE continue 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	Draft Audit
	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 04/18/14	Draft Audit 60 Day
	Response: DPAC and DOE continue evaluating the appropriateness of implementing an alternative procurement method to obtain commercial repairs. DOE will conclude its research of procurement practices and authority of other State Agencies that manage and repair a statewide fleet by June 30, 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	Draft Audit
	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: 60 Day Response

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	Draft Audit
	Response: DOE is on track to 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	Draft Audit
	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.	Complete	12/19/13 04/18/14	Draft Audit 60 Day
	Response: DOE reminded staff of this requirement at a statewide conference call on December 30, 2013.			
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	Draft Audit
	Response: DOEs policy is to use the Miscellaneous Transaction Document (Form DME-136) to record all bids obtained for purchases, regardless of value. DOE has reminded 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.			

Audit Name: Division of Equipment Procurement
Audit Number: P3000-0415
Audit Series: 60 Day Response

Approving Managers	Signature	Approval Date
Jennifer Burnett, Office Chief, Policy, Protest, and Communications		4/17/14
Jason Cook, Materiel Services Office Chief, Division of Equipment		4/17/14
Keith Duncan, Budgets and Administration Office Chief, Division of Equipment		4/17/14
Kelly Takigawa, Assistant Division Chief, Division of Procurement and Contracts	Tray Franco, for Kelly Takigawa	4/18/14