State of California
DEPARTMENT OF TRANSPORTATION

California State Transportation Agency

Memorandum

Serious drought.
Help Save Water!

To: FRANCESCA NEGRI, Chief
Division of Procurement and Contracts

CLARK PAULSEN, Chief
Division of Accounting

Date: June 30, 2014

File: P4000-0390

From: WILLIAM E. LEWIS
Assistant Director
Audits and Investigations

Subject: **FINAL DEPARTMENT OF GENERAL SERVICE (DGS) CONTRACT DELEGATION**

Attached is Audits and Investigations' final audit report on the California Department of Transportation's (Caltrans) Contract Delegation as required under the provisions of Department of General Services' (DGS) Exception Letter 12.0, dated June 18, 2012. The Division of Procurement and Contracts response has been included as part of our final report.

Please provide our office with status reports on the implementation of audit findings dispositions 60-, 180-, and 360-days subsequent to the report date. 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. If you would like, the audit staff can be available to consult in the early stages of implementation to help ensure that changes address the findings and recommendations in our report. As a matter of public record, this report and the status reports will be posted on A&I's website.

We thank you and your staff for their assistance 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
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P4000-0390
Department of General Services Contract Delegation Audit
June 2014

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

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Summary

The California Department of Transportation (Caltrans), Audits and Investigations (A&I) completed an audit of Caltrans' contract delegation as required by the Department of General Services (DGS). DGS, under Exemption letter 12.0 (dated June 30, 2008), exempted contracts under $75,000 from its approval. Effective July 1, 2013, Senate Bill 71 changed the exemption level for service contracts under Public Contract Code Section 10351 from $75,000 to $150,000. The delegation requires Caltrans to maintain an internal control system sufficient to provide reasonable assurance of compliance with State contract laws and procedures. The delegation also requires a biennial audit of the internal controls over contracts. This report meets the biennial audit requirement under the delegation.

The audit focused on contracts processed and executed by Caltrans' Division of Procurement and Contracts (DPAC). The purpose of the audit was to determine whether internal controls over processing, executing and managing contracts were adequate and comply with State laws, rules, and regulations.

Our audit disclosed that status reports have been issued and corrective action plans have been implemented since the prior audit was issued on April 27, 2012. Our audit also disclosed that Caltrans' established polices and internal controls over processing, executing, and managing contracts are generally adequate except for the following:

- Small dollar value contracts did not always comply with the State contracting manual
- Some CAL-Card Purchases did not comply with the Cal-Card Handbook
- Work on some contracts started before contract approval
- Hazardous waste contracts were not submitted to DGS for approval
- Contract Managers are not always reviewing invoices adequately
- Missing contract files and documentation
- Data discrepancies in the contract administration tracking system

Background

DGS is required to approve all State contracts. Government Code 14616 authorizes the Director of DGS to grant exemptions to this requirement. DGS' Office of Legal Services (OLS) is responsible for reviewing exemption requests to ensure that requirements are met and recommend approval or denial of the exemption. On February 2, 1992, DGS granted Caltrans an exemption by delegating authority to approve service contracts and inter-agency agreements under $50,000. The exemption level was increased to $75,000 on January 31, 1995, and $150,000 effective July 1, 2013.

Exemptions are granted by DGS for a specific period of time and are subject to periodic renewal. Exemptions may apply to service contracts and/or consultant service contracts, and may also include other categories of contracts.

Background (continued)

Under Exemption Letter 12.0, the current exemption of $150,000 covers the period July 1, 2012 through June 30, 2016. One condition of the exemption is that two audits are required during the exemption period. The audits must be conducted in accordance with DGS' Office of Audit Services (OAS) audit guide. Audit reports must be submitted to the OAS by June 30, 2014 and April 30, 2016.

DPAC is responsible for ensuring Caltrans' compliance with DGS delegation requirements. Specifically, DPAC is responsible for Caltrans' procurement, publications, CAL-Card purchases, property control, warehousing, service contracts, architectural and engineering contracts, and minor public works contracts.

Objectives, Scope, and Methodology

We conducted the audit to determine whether Caltrans' internal controls over processing, executing and managing contracts were adequate and in compliance with the DGS exemption requirements, as well as State laws, rules and regulations. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

The audit objectives were to determine:

- Caltrans' compliance with the Exemption Letter 12.0 issued by DGS.
- If Caltrans maintains an adequate and effective system of internal controls over contracting and ensure that the system is sufficient to enable compliance with the State's contracting laws, policies, and procedures.
- Caltrans' compliance with the legal requirements for exemption especially as to oversight of the universe of contracts awarded subject to exemption.
- If Caltrans' system of internal controls are documented and updated.
- Whether Caltrans' contracting system can be reasonably relied upon to provide adequate internal controls and produce contracts in accordance with laws, State policies and the best interest of the State.
- Whether appropriate corrective actions have been implemented in response to previous audit findings.

The scope of the audit focused on contracts and amendments processed by DPAC from July 1, 2011 through September 30, 2013. The audit included performing an audit survey, interviews and tests prescribed by the DGS audit guide.

Conclusion

Our audit concluded that Caltrans' established policies and internal controls over processing, executing, and managing contracts delegated by DGS are generally adequate, except for the following:

Conclusion (continued)

- Small dollar value contracts did not always comply with the State contracting manual
- Some CAL-Card purchases did not comply with the Cal-Card Handbook
- Work on some contracts started before contract approval
- Hazardous waste contracts were not submitted to DGS for approval
- Contract managers are not always reviewing invoices adequately.
- Missing contract files and documentation
- Data discrepancies in the contract administration tracking system

View of Responsible Official

We requested a response to our findings from the Chief, Division of Procurement and Contracts.

for **WILLIAM E. LEWIS**
Assistant Director
Audits and Investigations

June 30, 2014

FINDINGS AND RECOMMENDATIONS

Finding 1
Small Dollar Value Contracts did not Always Comply with the State Contracting Manual

We selected and tested eight small dollar value service contracts to determine their compliance with DGS' overall purchasing requirements. Our review disclosed that five of the eight contract files, or 62 percent, did not contain price quotes or documentation to indicate that the vendors were fairly and reasonably selected.

The State Contracting Manual (SCM), Section 5.90, and Caltrans Administration Form ADM – 3015 requires a minimum of two vendor quotes or cost justification documentation. Without price quotes, Caltrans may not obtain goods or services at reasonable prices and there is no assurance of an unbiased vendor selection.

We also performed additional tests on small dollar value contracts to assess the possibility of split purchases. Testing disclosed that 95 of 1,368 transactions, or seven percent, were split purchases. Split purchases enable service requestors to circumvent bidding and contracting requirements.

Public Contract Code (PCC), Section 10329 and Caltrans Service Contract Manual (SCM), Section 5.03, prohibit the splitting of purchases.

DPAC has taken steps to address split purchases including developing a training video, tightening their review process, and discontinuing the practice of writing contracts for $4,999, regardless of quoted amounts.

Recommendations

We recommend that DPAC:

1. Implement appropriate oversight and training to ensure that the preparers of small dollar value service contracts obtain at least two quotes or cost justification documentation when selecting vendors; and retain documentation in the contract files.
2. Continue with the actions taken to address split purchases and monitor small dollar contracts periodically for split purchases.

Division of Procurement and Contracts' Response

DPAC concurs with this finding. For DPAC's complete response, please see attachment.

Finding 2
Some CAL-Card Purchases did not Comply with the CAL-Card Handbook

Our review of 241 CAL-Card transactions found the following deficiencies:

- **Split purchases** -Thirteen transactions (five percent) were split purchases. Specifically, one cardholder had eight purchases totaling $5,404 from the same vendor for machine calibration and certification services in eight different locations in three districts. Another cardholder made three

Finding 2 (continued)

purchases from different vendors totaling $8,249 for signal parts and maintenance. Finally, a third cardholder made two purchases in one month from different vendors totaling $9,846 for paint used for graffiti removal.

Section 1.8 of the CAL-Card Handbook, Splitting of Orders, states that orders shall not be split to circumvent competitive bidding or advertising. Section 5.3 of the Handbook prohibits splitting purchases and/or exceeding the single purchase limit of $4,999.99 in 12 months for the same type of service from the same vendor. According to Section 12.5.2 (5) of DPAC's Acquisition Manual, split purchases include the following: acquisition of the same goods or services for different locations for the same transaction; and purchasing the same goods and services from different vendors for the same transaction.

- **Missing receipt** - One transaction had a missing receipt. Section 3.5 of the CAL-Card Handbook requires cardholders to obtain itemized receipts or invoices directly from suppliers. Receipts and invoices are evidence of billing for the delivery of goods or services.

- **Over single purchase limit** - One transaction was over $5,000. Section 1.7 of the CAL-Card Handbook limits single purchase transactions to $4,999.99 per 30 day billing cycle. Single purchases $5,000 and over require a service contract.

- **Past due invoices** - Three transactions were for payment of past due invoices. Section 5.6 of the CAL-Card Handbook states that past due invoices cannot be paid with a CAL-Card and must be processed according to the Prompt Payment Act by the Division of Accounting.

- **Late fee paid** - One transaction included payment of a late fee. Section 5.17 of the CAL-Card Handbook prohibits payment of penalties or late charges by CAL-Card.

- **Prepayments** - Seven transactions were pre-payments for services. Section 5.11 of the CAL-Card Handbook states that CAL-Card does not generally allow for payment prior to the receipt of goods or services. Advance payments or prepayments are considered to a gift of public funds.

- **Reoccurring services** - We also noted 31 transactions (13 percent) for reoccurring services that could potentially exceed the $5000 limit allowed over a 12 month period. These services included periodic, ongoing weed control, waste disposal, copier maintenance, and cleaning. Section 5.15 of the CAL-Card Handbook prohibits contracts for services that exceed $5,000 in twelve months from any single vendor for the same type of service. Since the entire 12 month period was outside our audit period, we did not determine if the limit was exceeded, but did refer the transactions to DPAC for follow-up and appropriate action.

Finding 2 (continued)

Unjustified, unsupported, or noncompliant CAL-Card purchases circumvent the authorized procurement process and can result in unnecessary or unauthorized purchases and abuse or waste of State funds. DPAC already has measures outlined in the CAL-Card Handbook and the DPAC Acquisition Manual that address these issues.

Recommendations

We recommend DPAC:

1. Continue to monitor CAL-Card purchases and notify cardholders and approving officials when the cardholders have violated established rules.
2. Take appropriation action for violations to ensure cardholders and approving officials comply with established Handbook rules.

Division of Procurement and Contracts' Response

DPAC concurs with this finding. For DPAC's complete response, please see attachment.

Finding 3 Work on Some Contracts Started Before Contract Approval

We tested 51 contracts to determine whether payments complied with contract specifications. For three of 51 contracts, or 6 percent tested, Caltrans paid $11,935 for work that started before contract approval.

The three contracts were for expert witness services. Exhibits A, (Paragraph 4) of these contracts allowed work to start before formal contract approval if directed to do so by the Legal Division. In one case, the contract manager stated the Legal Division gave verbal approval for work to start, but there was no supporting documentation in the file. In addition, for the other two contracts, there was no documentation in the files justifying work to start before contract approval.

Work started before contract approval means that contractors are not bound by the terms of the contract and Caltrans runs the risk that the services provided do not comply with contract requirements. The contractor also runs the risk of not being paid for the services provided.

PCC, Section 10371 (d), states that, except in an emergency, no consulting services contract shall begin work before formal approval; and no payments for any consulting services contract shall be made before contract approval. In addition, SCM, Volume 1, Section 4.09 (A) prohibits State agencies from allowing contracted services to start before the approval of the contract. This section also prohibits payment for services before contract approval.

We noted similar findings in our prior audit reports, dated June 30, 2010 (Audit No. P4000-0375) and April 27, 2012 (Audit No. P4000-0380).

Recommendations

We recommend DPAC:

1. Ensure that verbal authorization for work to start for expert witness contracts is followed up in writing and retained in the contract file.
2. Emphasize procedures to ensure that contracts are fully executed by requiring authorized signatures before work starts.
3. Emphasize to contract managers that payment for services rendered may only be authorized after contract approval.

Division of Procurement and Contracts' Response

DPAC concurs with this finding. For DPAC's complete response, please see attachment.

Finding 4 Hazardous Waste Contracts were not Submitted to DGS for Approval

Of the 79 contracts tested for compliance with DGS contracting requirements, two were for hazardous waste activity. We found that DPAC did not obtain DGS's approval for either hazardous waste contract as required by SCM, Section 3.12. One of the contracts was less than $75,000, and because the analyst was not aware of the requirement for DGS's approval, the contract was incorrectly approved under Caltrans delegated authority. The second contract was incorrectly coded as a public works contract instead of a hazardous waste contract, so it was not reviewed and approved in accordance with the proper DGS criteria.

Failure to prepare and obtain approval of contracts in accordance with the SCM requirements places Caltrans at risk and increases legal liability. In addition, noncompliance with DGS requirements may result in Caltrans losing its contract delegation authority from DGS.

Recommendations

We recommend DPAC:

1. Implement appropriate oversight and training for contract analysts to ensure that all hazardous waste contracts are approved by DGS.
2. Ensure that contracts are properly coded for accurate reporting of all contract data.

Finding 5 Contract Managers are not Always Reviewing Invoices Adequately

During the audit, we reviewed payments against 51 contracts to determine their compliance with contract specifications. While DPAC is responsible for providing contract management guidance and training, responsibility for contract administration, including invoice approval, lies with the individual contract managers. Based on our review, contract managers are not always monitoring and reviewing invoices for timeliness, accuracy, and compliance with the contract terms before approving them for payment. We found that 14 contracts (27 percent) had a total of 14 deficiencies. These deficiencies were as follows:

Finding 5 (continued)

- **Payment for work before contract approval.** Three invoice payments totaling $4,682 included work performed before the contracts were approved. Since contractors are not bound by contract terms for work performed before contract approval, Caltrans runs the risk that the goods or services provided do not comply with contract requirements.

- **Invoice amounts did not always comply with contract requirements.** Three invoices tested did not agree with the amounts or rates specified in the contracts. One invoice billed $1,325 for one month's lawn service when the contract specified weekly rates of $210 and $75. Another invoice was submitted for $1,583 when the contract rate was $1,552, resulting in a contractor overpayment of $31. A third invoice billed $1,752 in sales tax which was prohibited by the contract terms.

- **Inadequate invoice details.** Seven invoices tested did not include adequate details such as dates and amounts to support the services performed and/or the invoiced amount. Failure to require complete contract invoices increases the risk of paying the contractor for products and/or services that were not received or were outside the contract terms.

- **Unauthorized subcontractor work.** One invoice tested included $4,160 billed by the prime contractor for work performed by a subcontractor that was not listed in the contract, resulting in a payment for unauthorized work.

SCM, Vol. 2, Section 9 (A5) (1) (Components of an accurate invoice), states that an accurate invoice provides the following:

- Agency Order Number (STD. 65) or contract Number (STD 213).
- Details of the goods acquired, quantities, unit price, extension, description, etc.
- Sales tax and/or use tax as a separate line item from goods.
- Identified service (non-IT or IT) provided, service period, unit price (i.e. hourly, monthly) and quantity applicable to the service.
- Accurate billing address as stated on the purchase order or contract.
- Supplier invoice number.
- Supplier invoice date.
- Company name and remittance address.
- Payment terms offered.

SCM, Section 9.04(A) Responsibilities of the Contract Manager, requires the contract manager to monitor the contractor's work to ensure compliance with contract terms and to review and approve invoices for payment to substantiate expenditures for work or services performed.

DPAC's Memorandum dated February 28, 2006, Contractor Notification, states that the Contract Manager must review and approve the invoices according to the terms of the contract.

Recommendation

We recommend that DPAC remind contract managers of their contract administration responsibilities through written correspondence and by requiring formal on-going training.

Division of Procurement and Contracts' Response

DPAC concurs with this finding. For DPAC's complete response, please see attachment.

Finding 6 Missing Contract Files and Documentation

Our review of 79 contracts disclosed missing contract files and contract files that did not have all the required documentation. Specifically, we noted the following:

- One contract was not entered into the State Contract and Procurement Registration System (SCPRS). State Acquisition Manual, Section 5.13 – requires that all purchase documents valued at $5,000 or more be registered in the SCPRS, regardless of the contract type. DPAC staff believes this was an oversight.

- DPAC could not locate the files for three of the seventy-nine (four percent) contracts as follows:

  - Two were active contracts that will expire on September 9, 2014 and December 31, 2014. SCM, Section 7.50 – Audits (B) Record Keeping and Retention requires a minimum of three years retention after final payment of the contract. DPAC staff were unsure why the files could not be located. However, because the contracts are still active, they believe they are in their office.

  - The third contract, a small dollar value contract, expired September 30 2012. SCM, Chapter 2.2.2, and DPAC's procedures require contract documentation to be retained for five years after the termination date of small dollar value contracts. However, DPAC staff could not account for the missing file.

  Complete, available contract files provide evidence that Caltrans followed proper procurement procedures.

- Seven contracts (nine percent) that had been closed more than 60 days did not have a completed contractor evaluation form, STD 4 as required. SCM, Section 3.02.05, requires an evaluation of the contract / contractor on STD 4 form within 60 days of contract completion; and that it be retained for 36 months. DPAC staff indicated that the procedures set up to receive and retain STD 4 forms have not been consistently followed.

Recommendations

We recommend DPAC:

1. Continue efforts to locate the missing contract files.
2. Implement a process such as checkout cards requiring staff to sign for files when checked out.
3. Retain all contract files in accordance with the record retention policy.
4. Record the registration number assigned by SCPRS on all purchase documents during the procurement process.
5. Develop and implement a process to ensure that the contract/contractor evaluation form, STD 4, is prepared within 60 days of contract completion for all consultant services for $5,000 or more; and retain the form for 36 months.

Division of Procurement and Contracts' Response

DPAC concurs with this finding. For DPAC's complete response, please see attachment.

Finding 7 Data Discrepancies in the Contract Administration Tracking System

DPAC uses the Contract Administration Tracking System (CATS) as its contract data base. Our review found that the data in CATS was not always accurate. Of 79 contract files reviewed, 17 (22 percent) contained inaccurate data due to input errors. Specifically, we noted that:

- Eleven entries in CATS recorded an incorrect contract type. Eight public works contracts and one University of California (UC) technical agreement were misclassified as commercial contracts; one consultant training agreement was misclassified as an interagency contract; and one commercial contract was misclassified as an UC Master Agreement.
- One entry recorded an incorrect contract start date. The start date was incorrectly recorded in CATS as July 1, 2012, instead of the actual contract start date, October 1, 2012.
- One entry recorded an incorrect contract end date. The end date was incorrectly recorded as June 01, 2015 instead of the actual contract end date, May 31, 2015.
- Four contract approval dates were erroneously recorded as the date Caltrans signed the contracts instead of the date DGS approved them.

Inaccurate data in CATS results in inaccurate management reports used as a tool for contract management and reporting. For example, a misclassified contract may be subject to different requirements which may be overlooked; or inaccurate start dates may increase the risk that work will begin and/or payments made for work performed before contract approval.

Discussion with DPAC personnel disclosed that errors may occur when staff do not revise CATS data to reflect changes made while processing contracts.
DPAC indicated that the process to enter data into CATS begins when the contract request is received by the support staff. They review the request and

Finding 7 (continued)

input the information into CATS. The file then goes to an analyst who completes the contract. During this process, the initial contract information may change, but CATS is not always updated to reflect the changes. Although the file goes through a peer and management review next, CATS data is not reviewed for accuracy. DPAC agrees that the CATS system is an important tool for information and indicated that they will work to ensure CATS data is reviewed for accuracy by the analyst, peer reviewer and management in the future.

California Government Code, Section 13401, requires that each State agency maintain effective systems of internal and administrative control as an integral part of its management practices. Government Code, Section 13403 (a) provides that one element of a satisfactory system of internal accounting and administrative control includes an effective system of internal review.

We noted similar findings in our prior audits reports, dated June 30, 2010 (P4000-0375) and April 27, 2012 (P4000-0380).

Recommendations

We recommend DPAC:

1. Correct the inaccurate data identified in CATS and implement procedures to ensure data accuracy.
2. Ensure contract analysts review the data in CATS at the time of contract execution to ensure its accuracy.

Division of Procurement and Contracts' Response

DPAC concurs with this finding. For DPAC's complete response, please see attachment.

Laurine Bohamera, Chief, Internal Audits
Douglas Gibson, Internal Audit Manager
Evajuani D. Bynum, Auditor
Teresa Draeger, Auditor
Nancy Serrato, Auditor

ATTACHMENT

DIVISION OF PROCUREMENT AND CONTRACTS
RESPONSE TO THE DRAFT REPORT

State of California
DEPARTMENT OF TRANSPORTATION

California State Transportation Agency

Memorandum

Serious drought.
Help Save Water!

To: WILLIAM E. LEWIS
ASSISTANT DIRECTOR
AUDITS AND INVESTIGATIONS

Date: June 30, 2014

File: P4000-0390

From: FRANCESCA NEGRI
Division Chief
Division of Procurement and Contracts

Subject: **RESPONSE TO DRAFT DGS CONTRACT DELEGATION AUDIT**

The Division of Procurement and Contracts has attached the Draft Audit Response to the implementation of audit finding dispositions for the DGS Contract Delegation Audit dated June 11, 2014.

Attachment - Response to Draft Report

bc: Kelly Takigawa, Assistant Division Chief, Procurement and Contracts
Megan Rettke, Assistant Division Chief, Procurement and Contracts
Louise Lozoya, Office Chief, Procurement and CAL-Card, Procurement and Contracts
Jennifer Burnett, Office Chief, Policy, Protests, and Communications, Procurement and Contracts
Lindy Wilson, Office Chief, Contracts, Procurement and Contracts

BT

Audits and Investigations (A&I) - Response to Draft Report				
	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				
A&I Audit Recommendation	**Auditee Response to Draft Report**	**Estimated Completion Date**	**Staff Responsible**	**A&I Analysis**
Audits recommend 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 recommend 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 requester	January 31, 2014	Charles Gray	
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 2103 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 2103 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	
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	
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	

Audits and Investigations (A&I) - Response to Draft Report				
	Audit Name: DGS Contract Delegation		Audit No. P4000-0390	
Auditee: Division of Procurement and Contracts				
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	
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 McGlothin	
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	
Audit Report Finding # 6				
List Finding Here Missing Contract Files and Documentation				
Audits recommend DPAC continue to locate the missing contract files	DPAC will implement a complete overhaul of its records retention and filing system. DPAC will locate the missing contract files during this process	December 31, 2014	Sabrina McGlothin	
Audits recommend DPAC implement a process such as a checkout cards requiring staff to sign for files when checked out	DPAC will develop and implement a process to track the location of files when they are checked out and not in their primary filing location	December 31, 2014	Sabrina McGlothin	
Audits recommend DPAC retain all contract files in accordance with the record retention policy	DPAC will reevaluate the records retention process and schedule and implement any changes as deemed necessary to improve internal controls	December 31, 2014	Sabrina McGlothin	
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 McGlothin	
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	DPAC will develop and implement a process to notify Contract Managers of expiring contracts to remind them of the requirement to complete and submit the STD 4 to DPAC within 60 days of completion of consulting services	August 31, 2014	Sabrina McGlothin	
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 has corrected the inaccurate data identified through the audit and will remind Contract Officers to ensure coding is properly entered before signing any contract	July 1, 2014	Sabrina McGlothin	
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 McGlothin	