



FACT SHEET

Independent Office of Audits and Investigations

Malcolm Dougherty, Director

William E. Lewis, Assistant Director

Purchase Order Management of Non-IT Goods and Services Audit

BACKGROUND

Department of General Services (DGS) has delegated purchasing authority to Caltrans' Division of Procurement and Contracts (DPAC) to procure non-IT goods and services through the use of purchase orders, which is a document generated to authorize purchase transactions. A purchase order sets forth the descriptions, quantities, prices, payment terms, terms and conditions, and identifies a specific seller. For non-IT goods and services, the DGS delegated Caltrans purchase limits of: \$50,000 for informal competitive bidding, \$100,000 for formal competitive bidding, and \$249,999 for the Small Business/Disabled Veteran Enterprise Program (SB/DVBE) option.

KEY FINDINGS

Our audit disclosed that Caltrans has in general, established policies and internal controls over the use of purchase orders for non-IT goods and services. However, our audit identified the following:

- Procurement Policies and Procedures Need Improvement
- Procurement Training and Conflict of Interest Statement were not Completed or not Completed Timely
- Non-Compliance with Procurement Procedures

KEY RECOMMENDATIONS

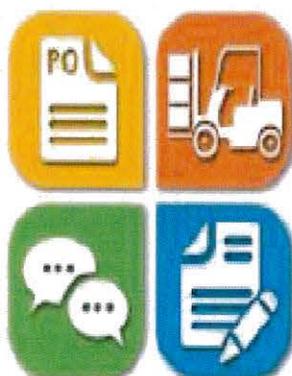
We made the following recommendations:

- DPAC work with other appropriate Caltrans Program(s) to provide specific guidance for buyers to evaluate commercially useful functions for SB/DVBE vendors and require the evaluation to be included in the procurement file.
- DPAC update the Acquisitions Manual to clarify that managers approving purchase requests are also required to take annual procurement training, biennial ethics training, and sign a conflict of interest statement.
- DPAC ensure analysts review procurement documents such as the Notice to Bidders, Request for Quotes, and Bidder Declaration for accuracy and completeness. In addition, DPAC Analyst should ensure quotes are received within the submission timeframe specified in the Notice to Bidders.
- Management in Districts 3, 4, and 8 send a reminder to staff involved in the procurement process to:
 - Complete annual procurement training, biennial ethics training, and sign a conflict of interest statement prior to being involved in the procurement process.
 - Include and complete required procurement documents such as Notice to Bidder, Request for Quotes, and Bidder Declaration forms.
 - Ensure quotes are received within the submission timeframe specified in the Notice to Bidders and update if there are any changes.

Report Date: August 11, 2017

Report: P3010-0633

California Department of Transportation
Purchase Order Management of Non-IT Goods
and Services



DPAC

Caltrans Division of
Procurement and Contracts

Your procurement partner



Audit Report

August 2017

PREPARED BY:

California Department of Transportation
Independent Office of Audits and Investigations – MS 2
Post Office Box 942874
Sacramento, California 94274-0001
www.dot.ca.gov/hq/audits

AUDIT TEAM

Zilan Chen, Chief, Internal Audits
Kevin Yee, Audit Manager
David Wong, Auditor-in-Charge
Phet Bouthavong, Auditor
Eugene Ezimora, Auditor

P3010-0633

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SUMMARY, OBJECTIVES, SCOPE, METHODOLOGY, BACKGROUND, AND CONCLUSION

SUMMARY

The California Department of Transportation (Caltrans), Independent Office of Audits and Investigations, completed an audit on Purchase Order Management of Non-IT Goods and Services. The purpose of the audit was to determine if Caltrans has sufficient control over the use of purchase orders to procure non-IT goods and services.

Our audit disclosed that Caltrans has in general, established policies and internal controls over the use of purchase orders for non-IT goods and services. However, our audit identified the following:

- Procurement Policies and Procedures Need Improvement
- Procurement Training and Conflict of Interest Statement were Not Completed or Not Completed Timely
- Non-Compliance with Procurement Procedures

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 if:

- Adequate written policies and procedures exist over the use of purchase orders for procuring non-IT goods and services.
- Internal controls exist and are adequate to ensure non-IT goods and services procured through purchase orders and are reasonable, valid, and in compliance with applicable laws, rules, and regulations.
- Management oversight and monitoring exist to ensure sound purchasing practices are administered and to ensure the most efficient use of public funds.

The scope of the audit included reviewing procurement policies and procedures in the Division of Procurement and Contracts (DPAC) and Districts 3, 4, and 8 as well as compliance testing for the period of July 1, 2015 to September 30, 2016.

The audit methodology and procedures included:

- Obtaining an understanding of the system of internal controls over procurement function
- Reviewing policies and procedures to determine if they are adequate
- Interviewing DPAC and district procurement staff
- Testing procurement files to determine compliance with rules and regulations

BACKGROUND

The Department of General Services (DGS) has statutory responsibility for procurement of goods and services, including approval of the procurement methods used and the establishment and interpretation of related procedures. DGS also has statutory authority to grant purchasing authority to those departments demonstrating the capability to make purchases that adhere to state statutes, regulations, policies, and procedures. DGS has delegated purchasing authority to Caltrans DPAC to procure non-IT goods and services through the use of purchase orders, which is a document generated to authorize purchase transactions. A purchase order sets forth the descriptions, quantities, prices, payment terms, terms and conditions, and identifies a specific seller. For non-IT goods and services, the DGS delegated Caltrans purchase limits of: \$50,000 for informal competitive bidding, \$100,000 for formal competitive bidding, and \$249,999 for Small Business/Disabled Veteran Enterprise Program (SB/DVBE) option.

DPAC supports the state's efforts to utilize Small Business (SB), and the Disabled Veteran Business Enterprise Program (DVBE). However, California Government Code, Section 14837, and the Military and Veterans Code, Section 999, requires all SB and DVBE contractors, subcontractors and vendors that bid on or participate in a state contract to perform a commercially useful function. In general, SB/DVBE performs commercially useful function when they are responsible for the execution of the work of the contract and/or carrying out responsibilities such as performing, managing, and supervising the work involved.

State procurement regulations, policies, procedures, and best practices applicable to the procurement of non-IT goods and services are contained in State Contracting Manual (SCM), Volume 2. Caltrans developed specific policies and procedures for Caltrans personnel in the DPAC Acquisitions Manual and the DPAC Non-IT Acquisitions Buyer's Desk Procedures to comply with the SCM. In addition, Caltrans has multiple Deputy Directives (DD) that address the roles and responsibilities of procurement staff including DD-09-R5 (Incompatible Activities and Conflict of Interest), DD-10-R3 (Competitive Procurement of Goods and Services), and DD-114-R1 (Buyer Responsibilities).

Caltrans procurement process begins with the district/program having a need for goods or services. The requestor in the district/program prepares the purchase request (RQS) in Advantage, Caltrans financial system, along with supporting procurement documents. Starting on November 1, 2015, DPAC required the RQS to include key procurement documents such as a submission checklist and a complete solicitation package. The unit manager reviews and approves the RQS and the resource manager verifies funds are available. DPAC reviews the RQS and issues a purchase order. Vendors provide goods/services to Caltrans and the receiving staff prepares a receiving document to authorize the Division of Accounting to pay the invoices.

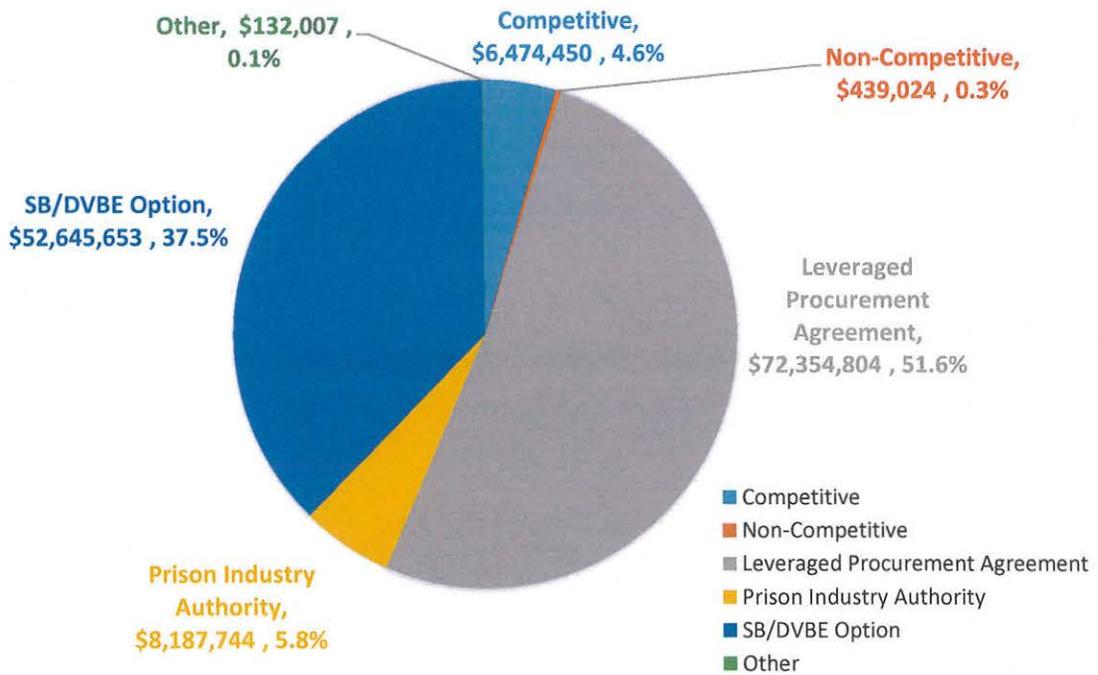
With the exception of Division of Equipment (Equipment), all Purchase Authority Purchase Orders (purchase order) from Caltrans are issued by DPAC. Equipment has a sub-delegation from DPAC which allows it to issue their own purchase orders, except for bulk fuel, to procure goods and services to maintain Caltrans equipment. For fiscal year 2016, DPAC issued 5,192 non-IT

purchase orders totaling \$140 million. The table below shows the use of purchase orders among the various programs within Caltrans for fiscal year 2016:

PURCHASES BY PROGRAM			
PROGRAM	NUMBER OF PURCHASE ORDERS	AMOUNT	PERCENT OF TOTAL AMOUNT
MAINTENANCE	2,564	\$ 55,294,077	39.4%
ADMINISTRATION	761	\$ 33,457,690	23.9%
EQUIPMENT (Bulk Fuel Purchases)	14	\$ 27,959,022	19.9%
TRAFFIC OPERATIONS	1,264	\$ 5,503,668	3.9%
CONSTRUCTION	133	\$ 3,864,386	2.8%
OTHERS	456	\$ 14,154,840	10.1%
TOTAL	5,192	\$ 140,233,683	100.0%

Most purchase orders are issued by Maintenance, Administration, or Equipment. Together these programs issued about 83 percent of the dollar value of all purchase orders. The pie chart below shows the purchase amount by procurement method:

PURCHASES BY PROCUREMENT METHOD



Caltrans procure the majority of the goods and services through either leveraged procurement agreements or the SB/DVBE option. These two procurement methods account for 89 percent of all purchases.

Leveraged procurement agreements are state-wide contracts that are negotiated by DGS to benefit state agencies in getting lower cost from suppliers bidding on large quantity of goods. Leveraged procurement agreements also benefit state agencies by reducing the time and effort of going through the competitive bidding process for goods and services that were pre-negotiated by DGS. Depending on the products, leveraged procurement agreements could be mandatory or non-mandatory. The use of non-mandatory leveraged procurement agreements are optional, however DGS encourages state agencies to take advantage of the benefits of the pre-established contracts.

CONCLUSION

Our audit disclosed that Caltrans has in general, established policies and internal controls over the use of purchase orders for non-IT goods and services. However, our audit identified the following:

- Procurement Policies and Procedures Need Improvement
- Procurement Training and Conflict of Interest Statement were Not Completed or Not Completed Timely
- Non-Compliance with Procurement Procedures

VIEWS OF RESPONSIBLE OFFICIALS

We requested and received a written response to our findings from the Division Chief of Procurement and Contracts and the Directors of Districts 3, 4, and 8. These officials have concurred with the findings. Please see the attachments for their complete response.



WILLIAM E. LEWIS, CPA
Assistant Director
Audits and Investigations

August 11, 2017

FINDINGS AND RECOMMENDATIONS

FINDING 1 – Procurement Policies and Procedures Need Improvement

A good system of internal control is an essential element that assists organizations to achieve their objectives and is a requirement for all state agencies, including the California Department of Transportation (Caltrans). The California Government Code, Sections 13400-13407, known as the State Leadership Accountability Act, declares that state agency heads are responsible for establishing and maintaining a system or systems of internal control. Internal operational and administrative controls are methods through which state agency heads can give reasonable assurance that measures to safeguard assets, check the accuracy and reliability of data, promote operational efficiency, and encourage adherence to prescribed managerial policies. This responsibility includes providing timely notice and opportunity for correction of emerging weaknesses.

Our audit identified areas where procurement policies or procedures could be improved. Specifically we found:

- Division of Procurement and Contracts (DPAC), Acquisitions Manual, Section 5.7.2, requires buyers to determine commercially useful function by using the Bidder Declaration Form, however DPAC Acquisitions Manual does not provide specific instructions on how to perform and document the evaluation. The purpose of the requirement is to prevent certified SB and DVBE businesses to act as a pass-through on the procurement. We tested a sample of 33 procurement files and found there was no documentation in the procurement files to support whether the evaluations were performed. State Contracting Manual (SCM), Volume 2, Chapter 3.2.6, requires all Small Business (SB) and Disable Veterans Business Enterprises (DVBE) that participate on state contracts must perform a commercial useful function and Buyers must determine that a commercial useful function will be performed prior to contract award. In addition, DPAC Acquisitions Manual, Section 8.1.1, identified the Bidder Declaration and the “CUF Certification” as documents that should be in the procurement file. Our interviews with procurement staff in the districts and DPAC found that Buyers were generally not aware of the commercially useful function requirements and did not have procedures or guidance for evaluating commercially useful function. DPAC had not developed guidance as they believed another Caltrans program had oversight responsibility for commercially useful function evaluation.
- Policy for including payee data record in the purchase request (RQS) in DPAC Acquisitions Manual, Section 5.1.7 (d), does not address protecting personally identifiable information such as social security numbers. Our testing of 44 purchase orders found one where the payee data record with personally identifiable information, such as social security numbers along with the business owner’s name, were uploaded to the RQS, where all Caltrans employees have access to view the document. State Administrative Manual, Section 5365, requires state agencies to safeguard personally identifiable information. Failure to protect personally identifiable information could result in identity theft and increases Caltrans liability.

- DPAC's instructions for the requestor to submit procurement documents to support the RQS is inconsistent and results in a duplication of effort. DPAC Information Bulletin 15-08 requires documents to be uploaded into the RQS whereas DPAC's Non-IT Acquisitions Buyer Desk Procedures requires documents to be emailed to DPAC. Our testing found that 25 out of 34 purchases have documents in the RQS and the same documents were emailed to DPAC, which is a duplication of effort for the requestor. According to DPAC they require all documents by email because the Advantage system has a file size limitation and it takes more time to retrieve documents from Advantage than from an email.

RECOMMENDATION:

We recommend DPAC:

- Work with other appropriate Caltrans Program(s) to provide specific guidance for buyers to evaluate commercially useful functions for SB/DVBE vendors and require the evaluation to be included in the procurement file.
- Update the DPAC Acquisitions Manual, Section 5.1.7, after consulting with Caltrans Information Security Office on how to protect personally identifiable information on payee data records.
- Evaluate what is the most appropriate method for the requestors to submit procurement documents, and update procurement policies and procedures to reflect the most appropriate method.

DIVISION OF PROCUREMENT AND CONTRACTS RESPONSE

DPAC concurs with the finding and recommendations. Please see attachment 1 for details of the response and action plan.

FINDING 2 – Procurement Staff Training and Conflict of Interest Statement Not Completed or Not Completed Timely

To ensure Caltrans procurements are performed in a thorough, effective, and ethical manner, procurement staff are required to comply with the following three requirements prior to being involved in the procurement process:

- Complete Annual Procurement Training
- Complete Biennial Ethics Training
- Sign a one-time Conflict of Interest Statement

Our testing of 44 procurement files from DPAC and three districts identified 88 staff involved in the procurement process, for compliance with the above requirements. We found, as shown in the chart below, 38 percent did not comply with the annual procurement training requirement,

58 percent did not comply with the biennial ethics training requirement, and 42 percent did not sign the one-time conflict of interest statements prior to being involved in the procurement process.

Training and Conflict of Interest Not Completed or Not Completed Timely				
District / Division	# of Procurement Staff Reviewed	Annual Procurement Training	Biennial Ethics Training	Conflict of Interest Statement
D3	26	12	15	10
D4	27	2	18	6
D8	25	15	15	15
DPAC	10	4	3	6
Total	88	33	51	37
		38%	58%	42%

SCM Volume 2, 1.A3.0 and 1.A4.1, requires staff in the procurement process to take procurement training, ethics training, and sign a conflict of interest statement prior to working on a procurement. Caltrans Deputy Directive (DD) 114, Buyer Responsibilities, requires Buyer’s Responsibility training to be completed annually and Ethics training biennially. DPAC allows the Cal-Card training to be substituted for the Buyer’s Responsibility training. In addition, DD-09-R5, Incompatible Activities and Conflict of Interest, and DPAC Acquisitions Manual, Section 1.8, requires staff to complete a conflict of interest statement if they are involved in the procurement process.

Not all employees were aware that they are required to take the training and sign the conflict of interest. DD-114 defines a “Buyer” as any employee in the purchasing process and is required to have Buyers and Ethics training. However, individuals involved in the purchasing process is not defined which results in the misinterpretation on who is required to have the training.

Without proper training and signed conflict of interest certification of procurement staff, Caltrans increases the risk that state funds are improperly spent or wasted and also risk losing the delegated purchasing authority from the Department of General Services (DGS).

RECOMMENDATION:

We recommend DPAC:

- Update the DPAC Acquisitions Manual to clarify that managers approving purchase requests are also required to take annual procurement training, biennial ethics training, and sign a conflict of interest statement.

- Enhance their current procurement training monitoring process by including tracking of ethics training and conflict of interest statement and utilize the enhanced process to monitor compliance.

We recommend the management in Districts 3, 4, and 8 send a reminder to staff involved in the procurement process to complete annual procurement training, biennial ethics training, and sign a conflict of interest statement prior to being involved in the procurement process.

DIVISION OF PROCUREMENT AND CONTRACTS RESPONSE

DPAC concurs with the finding and recommendations. Please see Attachment I for details of the response and action plan.

DISTRICTS 3, 4, AND 8 RESPONSE

The districts concur with the finding and recommendations. Please see attachment 2, 3, and 4 for details of the response and action plan.

FINDING 3 – Non-Compliance with Procurement Procedures

We tested 34 procurement files from Districts 3, 4, and 8 for completeness of documentation and compliance with procurement procedures and found the following issues:

- Six out of 34 have incomplete information on procurement documents such as the Notice to Bidder, Request for Quotes, and Bidder Declaration forms
- Eleven out of 34 procurement files contained questionable quote documents which create uncertainty of whether the procurements were conducted competitively:
 - ❖ Seven purchase orders included quotes submitted after the due date of the solicitations
 - ❖ Three purchase orders included quotes dated prior to the solicitations were sent to the vendors
 - ❖ One purchase order had quotes with different submission due dates

DPAC Acquisitions Manual, Section 8.1, requires procurement files to include adequate documentation that clearly demonstrates sound business judgment including documentation that supports the identification of need through completion. In addition, DPAC Information Bulletin 15-08, effective as of November 1, 2015, states purchase request submitted to DPAC without the complete RQS Submission Package will not be processed.

A complete procurement document is necessary for evaluating whether procurement was properly solicited. Improper documentation calls into question the validity of the purchase orders issued. These issues increase Caltrans risk of non-compliance with applicable state laws, policies and procedures for procurement.

RECOMMENDATION:

We recommend DPAC ensure analysts review procurement documents such as the Notice to Bidders, Request for Quotes, Bidder Declaration for accuracy and completeness. In addition, DPAC Analyst should ensure quotes are received within the submission timeframe specified in the Notice to Bidders.

We recommend management in Districts 3, 4, and 8 to remind requestors and approvers to:

- Include and complete required procurement document such as Notice to Bidder, Request for Quotes, and Bidder Declaration forms.
- Ensure quotes are received within the submission timeframe specified in the Notice to Bidders and update the Notice to Bidders if there are any changes.

DIVISION OF PROCUREMENT AND CONTRACTS RESPONSE

DPAC concurs with the finding and recommendation. Please see Attachment I for details of the response and action plan.

DISTRICTS 3, 4, AND 8 RESPONSE

The districts concur with the finding and recommendations. Please see Attachments 2, 3, and 4 for details of the response and action plan.

ATTACHMENT 1

DIVISION OF PROCUREMENT AND CONTRACTS RESPONSE TO THE DRAFT REPORT

Memorandum

*Making Conservation
a California Way of Life.*

To: WILLIAM E. LEWIS
ASSISTANT DIRECTOR
AUDITS AND INVESTIGATIONS

Date: August 3, 2017

File: P3010-0633

From: 
ANGELA SHELL
Chief
Division of Procurement and Contracts

Subject: **RESPONSE TO DRAFT REPORT – PURCHASE ORDER MANAGEMENT NON-IT
GOODS AND SERVICES**

The Division of Procurement and Contracts (DPAC) has attached the Response to Draft Report for the Purchase Order Management Non-IT Goods and Services Audit.

If you have any questions regarding this status response, please contact Char Krantz by phone at (916) 227-6071 or by email at Char.Krantz@dot.ca.gov.

Attachment: P0310-0633 Response to Draft Report

- c: Zilan Chen, Chief, Internal Audits, Audits and Investigations
- Kevin Yee, Audit Manager, Internal Audits, Audits and Investigations
- David Wong, Audit Manager, Internal Audits, Audits and Investigations
- Phet Bouthavong, Auditor, Internal Audits, Audits and Investigations
- Eugene Ezimora, Auditor, Internal Audits, Audits and Investigations
- Louise Lozoya, Assistant Division Chief, IT Acquisitions, Non-IT Procurement and CAL-Card, DPAC
- Tracy Gentry, Assistant Division Chief, Policy, Protests, Communications and Materiel Management, DPAC
- Mari Jo Snider, Office Chief, Non-IT Procurement and CAL-Card, DPAC
- Char Krantz, Branch Chief, Policy, DPAC

Audits and Investigations (A&I) - Response to Draft Report

Audit Name: Purchase Order Management for Non-IT Goods and Services

Audit No. P3010-0633

Auditee: Division of Procurement and Contracts

Audit Report Finding #1

Procurement Policies and Procedures Need Improvement

A&I Audit Recommendation		Auditee Response to Draft Report	Estimated Completion Date	Staff Responsible	A&I Analysis
1.1	DPAC to work with appropriate Caltrans Program(s) to provide specific guidance for buyer's to evaluate commercially useful function for SB/DVBE vendor and require the evaluation to be included in the procurement file.	DPAC will develop a CUF Checklist, update the Non-IT Acquisitions Buyer's Desk Procedures, and the internal Desk Procedures to address CUF.	3/28/2018	DPAC Non-IT Staff	
1.2	DPAC to update the Acquisitions Manual, Section 5.1.7, after consulting with Caltrans Information Security Office on how to protect personally identifiable information on payee data records.	DPAC will contact the Caltrans Information Security Office and update Information Bulletin 15-08 and the Acquisitions Manual to provide direction on securing confidential information.	3/28/2018	DPAC Non-IT Staff	
1.3	DPAC to evaluate what is the most appropriate method for the requestors to submit procurement documents, and update procurement policies and procedures to reflect the most appropriate method.	DPAC will update Information Bulletin 15-08 to include the most appropriate method for requestors to submit procurement documents.	3/28/2018	DPAC Non-IT Staff	

Audit Report Finding # 2

Procurement Staff Training and Conflict of Interest Statement not Completed or not Completed Timely

2.1	DPAC to update the Acquisitions Manual to clarify that managers approving purchase requests are also required to take annual procurement training, biennial ethics training, and sign a conflict of interest statement.	DPAC will update the Acquisitions Manual and Buyer Responsibilities Training to clarify that managers approving Purchase Requests are required to take the appropriate training and sign the Conflict of Interest Statement.	3/28/2018	DPAC Non-IT Staff	
2.2	DPAC to enhance their current procurement training monitoring process by including tracking of ethics training and conflict of interest statement and utilize the enhanced process to monitor compliance.	DPAC will update the Buyer Responsibilities Training to include ethics training and the Conflict of Interest Statement.	3/28/2018	DPAC Non-IT Staff	

Audit Report Finding # 3

Non-Compliance with Procurement Procedures

3.1	DPAC to ensure analysts review procurement documents such as the Notice to Bidders, Request for Quotes, and Bidder Declaration for accuracy and completeness.	DPAC will continue to train buyers in understanding the process and will revise its internal checklist to ensure accuracy and completeness.	3/28/2018	DPAC Non-IT Staff	
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ATTACHMENT 2

**DISTRICT 3
RESPONSE TO THE DRAFT REPORT**

Memorandum

*Making Conservation
a California Way of Life.*

To: WILLIAM E. LEWIS
Assistant Director
Audits and Investigations

Date: August 2, 2017

File:

From: RAY ZHANG *Susan Elkins*
Acting District 3 Director
District 3

Subject: **RESPONSE TO DRAFT AUDIT REPORT**

The Division of Administration has reviewed the draft report for the Purchase Order of Management of Non-IT Goods and Services Audit, and concurs with the recommendations identified relative to the District. Attached is District 3's response to the Purchase Order of Management of Non-IT Goods and Services Audit.

If you have questions, please contact Susan Elkins, Deputy District Director of Administration, at (530) 741-4234.

Attachment

Response to Draft Audit Report - District 3

c: Kevin Yee, Audit Manager, Audits & Investigations
David Wong, Staff Mgmt. Auditor & Investigation
Phet Bouthavong, Staff Mgmt. Auditor, Audit & Investigations

Audits and Investigations (A&I) - Response to Draft Report

Audit Name: Purchase Order Management for Non-IT Goods and Services

Audit No. P3010-0633

Auditee: District 3

A&I Audit Recommendation	Auditee Response to Draft Report	Estimated Completion Date	Staff Responsible	A&I Analysis
Audit Report Finding # 2				
Procurement Staff Training and Conflict of Interest Statement not Completed or not Completed Timely				
Management in District 3 send a reminder to staff involved in the procurement process to complete annual procurement training, biennial ethics training, and sign a conflict of interest statement prior to being involved in the procurement process.	Concur - Notification to be sent out to all Contract Managers and Superviors	8/11/2017	Collette Chesmore	
Audit Report Finding # 3				
Non-Compliance with Procurement Procedures				
Management in District 3 remind requestors to include and complete required procurement document such as Notice to Bidder, Request for Quotes, and Bidder Declaration forms	Concur - Notification to be sent out to all Contract Managers and Superviors	8/11/2017	Collette Chesmore	
Management in District 3 remind requestors to ensure quotes are received within the submission timeframe specified in the Notice to Bidders and update the Notice to Bidders if there are any changes.	Concur - Notification to be sent out to all Contract Managers and Superviors	8/11/2017	Collette Chesmore	

ATTACHMENT 3

DISTRICT 4 RESPONSE TO THE DRAFT REPORT

Memorandum

*Making Conservation
a California way of life.*

To: ZILAN CHEN, CHIEF
INTERNAL AUDITS

Date: August 2, 2017

File: P3010-0633

From: 
PREMJIT RAI
Deputy District Director, Administration
District 4

Subject: **RESPONSE TO DRAFT AUDIT REPORT ON PURCHASE ORDER MANAGEMENT OF
NON-IT GOODS AND SERVICES (P3010-0633)**

As a result of reviewing the draft audit report and participating in the exit conference, District 4 will be taking the following steps to address the findings of the audit.

District will issue a memo to all Buyers (all Staff) and Supervisors/Managers to ensure compliance with Caltrans policies and procedures, include the following:

- 1) Develop, write, collect, and maintain appropriate documentation for clear and detailed purchase request packages.
 - Include and complete required procurement document such as Notice to Bidders, Request for Quotes, and Bidder Declaration forms.
 - Ensure quotes are received within the submission timeframe specified in the Notice to Bidders and update the Notice to Bidders if there are any changes.
- 2) Complete mandatory Annual Procurement/Buyer Responsibilities training.
- 3) Complete mandatory Biennial Ethics training.
- 4) Sign a one-time Conflict of Interest Statement.

Progress reports providing feedback on the status of the work plan items will be provided 60-, 180-, and 360-day milestones.

If you have any questions or need additional information, please contact me at (510) 286-5894 or premjit.ra@dot.ca.gov.

c: Bijan Sartipi, District Director, District 4
William E Lewis, Assistant Director, Audits & Investigations
Kevin Yee, Audit Manager, Audits & Investigations
David Wong, Auditor in Charge, Audits & Investigations
Phet Bouthavong, Auditor, Audits & Investigations
Eugene Ezimora, Auditor, Audits & Investigations

Audits and Investigations (A&I) - Response to Draft Report

Audit Name: Purchase Order Management for Non-IT Goods and Services

Audit No. P3010-0633

Auditee: District 4

A&I Audit Recommendation	Auditee Response to Draft Report	Estimated Completion Date	Staff Responsible	A&I Analysis
Audit Report Finding # 2				
Procurement Staff Training and Conflict of Interest Statement not Completed or not Completed Timely				
Management in District 4 send a reminder to staff involved in the procurement process to complete annual procurement training, biennial ethics training, and sign a conflict of interest statement prior to being involved in the procurement process.	District will issue a memo to 1) All Buyers (All Staff) and 2) Supervisors/Managers to ensure that staff involved in the procurement process complete annual procurement training, biennial ethics training, and sign a conflict of interest statement prior to being involved in the procurement process.	9/29/2017	D4, Administration	
Audit Report Finding # 3				
Non-Compliance with Procurement Procedures				
Management in District 4 remind requestors to include and complete required procurement document such as Notice to Bidder, Request for Quotes, and Bidder Declaration forms	District will issue a memo to All Buyers (All Staff) to ensure that requestors include and complete required procurement document such as Notice to Bidder, Request for Quotes, and Bidder Declaration forms.	9/29/2017	D4, Administration	
Management in District 4 remind requestors to ensure quotes are received within the submission timeframe specified in the Notice to Bidders and update the Notice to Bidders if there are any changes.	District will issue a memo to D4 Buyers (All Staff) to ensure that quotes are received within the submission timeframe specified in the Notice to Bidders and update the Notice to Bidders if there are any changes.	9/29/2017	D4, Administration	

ATTACHMENT 4

**DISTRICT 8
RESPONSE TO THE DRAFT REPORT**

Memorandum

*Making Conservation
a California Way of Life.*

To: WILLIAM E. LEWIS
Assistant Director
Audits and Investigations

Date: July 28, 2017

File:

From: 
JOHN BULINSKI
District Director
District 8

Subject: **RESPONSE TO DRAFT AUDIT REPORT**

The Division of Administration has reviewed the draft report for the Purchase Order of Management of Non-IT Goods and Services Audit, and concurs with the recommendations identified relative to the District. Attached is District 8's response to the Purchase Order Management of Non-IT Goods and Services Audit.

If you have any questions, please contact Kevin Strough, Deputy District Director of Administration, at (909) 383-4576.

Attachment

Response to Draft Audit Report – D8

c: Kevin Yee, Audit Manager, Audits & Investigations
David Wong, Staff Mgmt Auditor, Audit & Investigations
Phet Bouthavong, Staff Mgmt Auditor, Audit & Investigations

Audits and Investigations (A&I) - Response to Draft Report

Audit Name: Purchase Order Management for Non-IT Goods and Services

Audit No. P3010-0633

Auditee: District 8

A&I Audit Recommendation	Auditee Response to Draft Report	Estimated Completion Date	Staff Responsible	A&I Analysis
Audit Report Finding # 2				
Procurement Staff Training and Conflict of Interest Statement not Completed or not Completed Timely				
Management in District 8 send a reminder to staff involved in the procurement process to complete annual procurement training, biennial ethics training, and sign a conflict of interest statement prior to being involved in the procurement process.	Budget Office will send quarterly reminders to Divisions to remind their staff involved in the procurement process of annual procurement training, biennial ethics training, and conflict of interest statement requirements. Will include training links and conflict of interest statement in reminder.	Beginning of each quarter of the FY	Budgets Office	

Audits and Investigations (A&I) - Response to Draft Report

Audit Name: Purchase Order Management for Non-IT Goods and Services

Audit No. P3010-0633

Auditee: District 8

Audit Report Finding # 3

Non-Compliance with Procurement Procedures

Management in District 8 remind requestors to include and complete required procurement document such as Notice to Bidder, Request for Quotes, and Bidder Declaration forms	Budget Office will send quarterly reminders to each Division reminding their requestors to complete and include the required procurement documents in their purchasing packets.	Beginning of each quarter of the FY	Budgets Office	
Management in District 8 remind requestors to ensure quotes are received within the submission timeframe specified in the Notice to Bidders and update the Notice to Bidders if there are any changes.	Budget Office will send quarterly reminders to each Division reminding their requestors to ensure quotes are received within the submission time frame specified in the Notice to Bidders and update the Notice to Bidders if there are any changes.	Beginning of each quarter of the FY	Budgets Office	