DGS **MEMORANDUM**

Date: August 18, 2009 File No. 9160

To: Mary-Ann Warmerdam, Director
Department of Pesticide Regulation
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From: **Department of General Services**
Office of Audit Services

Subject: **AUDIT REPORT: CONTRACTING PROGRAM**

This report presents the results of our audit of the Department of Pesticide Regulation's (DPR) contracting program. On June 10, 2004, the Director of the Department of General Services (DGS) signed Exemption Letter No. 74.3 which granted DPR's request to process contracts without DGS review and approval. In brief, subject to a number of limitations, the exemption allowed various types of contracts under $75,000 to be processed without DGS review and approval during the four-year period of July 1, 2004 through June 30, 2008. As a condition of the exemption, two audits were required to be performed of DPR's contracting program during the four-year exemption period. Based on DPR's request, the DGS Office of Audit Services agreed to conduct the second audit required under the terms of the exemption.

The objective of our audit was to determine compliance with the terms and conditions of Exemption Letter No. 74.3. In general, the exemption required that DPR maintain an adequate and effective system of internal control over contracting and that the system be sufficient to ensure compliance with the State's contracting laws, policies, and procedures. Our audit was conducted in accordance with U.S. generally accepted auditing standards.

Based on the results of our fieldwork conducted over the period September 16, 2008 through October 29, 2008, we concluded that DPR is conducting its contracting program in compliance with the terms and conditions of its exemption. The DPR's contracting policies and procedures are sufficient to provide reasonable assurance of compliance with the State's contracting laws, policies, and procedures.

To determine compliance, we reviewed policies and procedures, tested a sample of contracts awarded during the 2007/08 fiscal year, interviewed parties involved and performed other tests as deemed necessary.

It should be noted that on June 30, 2008 the DPR's contract approval exemption was renewed for an additional four years covering the period July 1, 2008 through June 30, 2012.

We greatly appreciated the cooperation and assistance provided by DPR's personnel.

If you need further information or assistance on this report, please contact me at (916) 376-5058, or Dennis Miras, Audit Supervisor, at (916) 376-5064.

RICK GILLAM, Chief
Office of Audit Services

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