



# SUPPLIER DIVERSITY PROGRAM PERFORMANCE AUDIT

Southern California Gas Company

January 1, 2023, through December 31, 2023

Utility Audits, Risk and Compliance Division  
Utility Audits Branch  
December 17, 2025



## **MEMBERS OF THE TEAM**

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## PUBLIC UTILITIES COMMISSION

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Transmitted via e-mail

December 17, 2025

Paul Goldstein, Vice President  
Supply Chain & Operations Support  
Southern California Gas Company  
ML GT21C3  
555 W 5th Street  
Los Angeles, CA 90010

Dear Paul Goldstein:

**Final Report Transmittal Letter—Audit of Southern California Gas Company's Supplier Diversity Program for the Period January 1, 2023, through December 31, 2023**

The Utility Audits Branch (UAB) of the California Public Utilities Commission (CPUC) has completed its audit of Southern California Gas Company (SoCalGas) procurement expenditures reported for the Utility Supplier Diversity Program for the period of January 1, 2023, through December 31, 2023, or Program Year 2023.

We issued the draft report to SoCalGas for comments on December 5, 2025. In an email response on December 10, 2025, SoCalGas stated it had no additional comments and agreed to implement corrective actions. We will post the final audit report on our website at [Audit Reports by Industry \(ca.gov\)](#).

A Corrective Action Plan (CAP) addressing the finding and recommendation is required. The CAP should include specific steps and target dates to address the finding and recommendation. Please submit the CAP within 45 calendar days from the issuance of this final report to: [UtilityAudits@cpuc.ca.gov](mailto:UtilityAudits@cpuc.ca.gov) with a copy to Stephanie Green, Program and Project Supervisor of External Affairs Division, at [Stephanie.Green@cpuc.ca.gov](mailto:Stephanie.Green@cpuc.ca.gov).

We appreciate the assistance and cooperation of SoCalGas. If you have any questions regarding this report, please contact Tracy Fok, Supervisor, at (415) 703-3122 [Tracy.Fok@cpuc.ca.gov](mailto:Tracy.Fok@cpuc.ca.gov).

Sincerely,

*Masha Vorobyeva for Angie Williams*

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Angie Williams, Director  
Utility Audits, Risk and Compliance Division (UARCD)  
cc: See next page

Paul Goldstein, Vice President  
Supply Chain & Operations Support  
Southern California Gas Company  
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cc: Dan Skopec, Senior Vice President & Chief Regulatory Officer, SoCalGas  
Shivani Sidhar, Regional Vice President, Regulatory Affairs, Semptra  
Joseph Mock, Director, Regulatory Affairs, SoCalGas  
Lily Otieno, Director, Supply Chain Management & Diverse Business Enterprise, SoCalGas  
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## EXECUTIVE SUMMARY

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The Utility Audits Branch (UAB) of the California Public Utilities Commission (CPUC) conducted a performance audit of the procurement expenditures reported for the Supplier Diversity Program (SDP) by Southern California Gas Company (SoCalGas) for the audit period of January 1, 2023, through December 31, 2023, or Program Year (PY) 2023.

Our audit objective was to determine whether SoCalGas's SDP procurement expenditures for PY 2023 were reported accurately, supported by appropriate source documents, and in compliance with applicable Public Utilities (PU) Code sections, CPUC's General Order 156 (GO 156) and directives, and SoCalGas's policies and procedures.

Based on our audit objectives, procedures performed, samples tested, and evidence gathered, we determined that SoCalGas's SDP procurement expenditures in its 2023 Supplier Diversity Annual Report titled "Shaping The Future Through Inclusion & Innovation" (2023 SDP Annual Report) were generally reported accurately, properly supported, and in compliance with GO 156 requirements and guidance. However, we did identify an instance of noncompliance as quantified in the Summary Schedules of Audit Results and described in the Finding and Recommendation section of this audit report. The audit finding is also summarized as follows:

- **Finding: Misclassified Expenditures Between Women Business Enterprise (WBE) and Minority Business Enterprise (MBE) Categories.**

SoCalGas misclassified \$2,706,001 of subcontractor procurement expenditures as MBE instead of WBE in its 2023 SDP Annual Report.

Tables 1 and 2 in the Summary Schedules of Audit Results section of this report presents the reported and audited procurement expenditures, CPUC SDP goals, and the impact of audit adjustments for specific categories of SDP. SoCalGas has met or exceeded the CPUC goals in all categories of the SDP for PY 2023, except for the category of Lesbian, Gay, Bisexual and Transgender Business Enterprise (LGBTBE).

We issued a draft report on December 5, 2025. SoCalGas responded by email on December 10, 2025, stating it did not have additional comments and agreeing to provide its corrective action plan upon issuance of the final report.

# AUDIT REPORT

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## Background

### *Utility Supplier Diversity Program*

In the mid-1980s, the California Legislature passed Assembly Bill (AB) 3678 to encourage the award of a fair proportion of total utility contracts to women business enterprises (WBE) and minority business enterprises (MBE). This bill created the foundation for CPUC's Supplier Diversity Program (SDP) that was developed to implement the statutes enacted by the California Legislature and codified in Public Utility (PU) Code sections 8281-8285. CPUC established and adopted GO 156 in 1986, which outlined the specific guidelines and framework of SDP. On June 3, 1992, CPUC's Decision (D.) 92-06-030 amended GO 156 to add disabled veteran-owned business enterprises (DVBE) into the program. On June 11, 2015, D.15-06-007 further amended GO 156 to include lesbian, gay, bisexual, and/or transgender-owned business enterprises (LGBTBE) into the program by implementing AB 1678 that amended PU Code sections 8281-8285 and added PU Code section 8286 to expand the provisions of the program. On April 7, 2022, D.22-04-035 updated GO 156 by adopting a voluntary procurement goal for LGBTBE and formally incorporating Disabilities Business Enterprises into the program.

### *GO 156*

CPUC's SDP encourages energy, telephone, and water utility companies under CPUC's jurisdiction to procure goods and services from MBE, WBE, DVBE, and LGBTBE (collectively known as WMDVLGBTBE). GO 156 consists of various rules and guidelines governing SDP to increase participation of WMDVLGBTBE in procurement of contracts from utilities as required by PU Code sections 8281-8286. These rules apply to all electric, gas, water, wireless telecommunications service providers, and telephone corporations and their regulated subsidiaries and affiliates with gross annual revenues exceeding \$25,000,000.

The main purposes of the program are to:

1. Encourage greater economic opportunity for WMDVLGBTBE;
2. Promote competition among regulated public utility suppliers to enhance economic efficiency in the procurement of electrical, gas, and telephone corporations' contracts; and
3. Clarify and expand the program for the utilities' procurement of products and services from diverse enterprises.

SDP is a voluntary program that promotes and monitors utilities' procurement from WMDVLGBTBE. The Supplier Clearinghouse<sup>1</sup> (Clearinghouse) is a CPUC-supervised entity whose primary purpose is to audit and verify the status of WMDVLGBTBEs on behalf of the individual utility companies. The Clearinghouse maintains an accurate and reliable database of WMDVLGBTBE-certified firms that is accessible to CPUC and participating utilities for procurement-related outreach and opportunities.

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<sup>1</sup> [www.thesupplierclearinghouse.com](http://www.thesupplierclearinghouse.com)



GO 156 Section 8.2 established aspirational procurement goals for each major procurement category as follows:

Diversity Category	Goal
MBEs	15.0%
WBEs	5.0%
DVBEs	1.5%
LGBTBEs	1.0%

### ***Annual Report***

PU Code section 8283 (d) requires each participating utility to report annually to CPUC on its WMDVLGBTBE procurement performance and its plans for future improvements. This requirement is further reiterated in GO 156, Section 9. The intent of the Annual Report is to provide CPUC with information on the utilities' diversity procurement performance, progress in meeting their short-, mid-, and long-term supplier diversity goals, and future program enhancement plans.

SoCalGas filed its 2023 SDP Annual Report with CPUC on March 1, 2024, pursuant to GO 156, Section 9. In its 2023 SDP Annual Report, SoCalGas reported over \$1.019 Billion of WMDVLGBTBE purchases, comprising of direct and subcontracted procurement, out of approximately \$2.314 Billion in net procurement. The following table summarizes SoCalGas's SDP annual results by business enterprise:

### **2023 WMDVLGBTBE Annual Results (As Reported) <sup>2</sup>**

Diversity Category		Direct (\$)	Sub (\$)	Grand Total (\$)
Minority Male	African American	\$82,567,669	\$22,051,949	\$104,619,618
	Asian Pacific American	128,648,160	20,092,742	148,740,902
	Hispanic American	196,342,579	79,606,825	275,949,404
	Native American	73,906,216	3,366,432	77,272,648
	<b>Total Minority Male</b>	<b>481,464,624</b>	<b>125,117,948</b>	<b>606,582,572</b>
Minority Female	African American	\$16,703,324	\$10,004,362	\$26,707,956
	Asian Pacific American	27,530,992	4,918,959	32,449,951
	Hispanic American	20,286,411	28,802,181	49,088,592
	Native American	395,657	455,976	851,633
	<b>Total Minority Female</b>	<b>64,916,384</b>	<b>44,181,748</b>	<b>109,098,132</b>
Total MBE		546,381,008	169,299,696	715,680,704
WBE		153,925,676	74,910,139	228,835,815
LGBTBE		646,290	69,456	715,746
DVBE		41,897,189	32,537,640	74,434,829
<b>TOTAL WMDVLGBTBE</b>		<b>\$742,850,163</b>	<b>\$276,816,931</b>	<b>\$1,019,667,094</b>
Net Procurement		<b>\$2,314,943,541</b>		

<sup>2</sup> As reported in Schedule of Supplier Diversity Results by Ethnicity in SoCalGas's 2023 SDP Annual Report, Page 36.



## **Audit Authority**

UAB conducted this audit under the general authority outlined in the PU Code sections 314.5, 314.6, 581, 582, and 584. Furthermore, GO 156, section 9.1.10 directs UAB to perform audits to ensure that the utilities' WMDVLGBTBE procurement expenditures reported in their annual reports are accurate.

## **Objective and Scope**

Our audit objective was to determine whether SoCalGas's SDP procurement expenditures for PY 2023 were reported accurately, supported by appropriate source documents, and in compliance with applicable PU Code sections, GO 156, CPUC directives, and SoCalGas's policies and procedures.

The scope of our audit covered SoCalGas's SDP procurement expenditures reported in its 2023 SDP Annual Report.

## **Methodology**

In planning our audit, we gained an understanding of the SDP and SoCalGas's program operations, and identified relevant criteria, by reviewing applicable PU Code sections, GO 156, CPUC directives, SoCalGas's policies and procedures, and interviewing SoCalGas's personnel.

We conducted a risk assessment, including evaluating whether SoCalGas's key internal controls relevant to our audit objective were properly designed, implemented, and operating effectively. Our assessment included conducting interviews, evaluating documented processes, or performing walkthroughs, and testing transactions. Deficiencies in internal control that were identified during our audit and determined to be significant within the context of our audit objectives are included in this report.

Additionally, we assessed the reliability of the data extracted from SoCalGas's Systems, Applications, and Products (SAP) accounting system for direct diverse supplier procurement and Diverse Business Enterprise (DBE) Portal reporting system for diverse subcontractor supplier procurement. Our assessment included examining various datasets extracted from these systems and reconciling them all the way to the data reported in the annual report to ensure completeness. We determined that the data we used for this audit is sufficiently reliable and adequate to address our audit objective.

Based on the results of our planning, we developed specific methods for gathering evidence to obtain reasonable assurance to address our audit objective. To achieve our audit objective, we:

- Reviewed SoCalGas's accounts payable system and accounts payable policies and procedures for making payments to vendors including diverse suppliers.
- Reviewed the processes and procedures for reporting SoCalGas's WMDVLGBTBE procurement expenditures in its 2023 SDP Annual Report.
- Assessed whether SoCalGas's policies, procedures, and practices comply with CPUC's SDP requirements and guidance.
- Reconciled SoCalGas's data associated with SDP procurement expenditures to the balances reported in SoCalGas's 2023 SDP Annual Report for accuracy and completeness.

- Compared SoCalGas goal percentages listed in the SDP Annual Report for various DBE categories to applicable CPUC decisions for consistency and validated corresponding actual SDP expenditure percentages.
- Assessed significance by performing analysis of procurement expenditure data and evaluating program requirements and guidance.
- Obtained an understanding of SoCalGas's internal controls relevant to the SDP, such as direct diverse supplier procurement payment approval, SDP Annual Report preparation and review process, and reporting and monitoring subcontractor procurement expenditure data, and assessed the design, implementation, and/or operating effectiveness of selected controls that are significant to the audit objectives by:
  - interviewing and performing walk-throughs of key processes and systems with SoCalGas's key personnel and reviewing the internal control questionnaire completed by SoCalGas;
  - performing walkthroughs of selected transactions;
  - tracing selected transactions to source documents;
  - reviewing SoCalGas's policies and procedures and performing a walkthrough for prime suppliers' reporting of diverse subcontractor expenditure data.
- Conducted a risk assessment to determine the nature, timing, and extent of substantive testing.
- Performed diverse supplier eligibility testing by judgmentally selecting a non-statistical sample of 68 (or 11 percent) out of total 618<sup>3</sup> diverse suppliers and verifying whether the selected diverse suppliers were properly certified by Clearinghouse and accurately reported in the correct DBE categories in SoCalGas's 2023 Annual Report.

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<sup>3</sup> Total number of diverse suppliers as reported in SoCalGas' 2023 Supplier Diversity Report, page 43.

- Performed transaction testing by judgmentally selecting non-statistical samples of significant transactions for the following categories, as outlined in the two tables below. If errors were found, the actual results of sampling test were not projected to the total population.
- Direct Procurement: We tested \$23,291,034, or 3.14 percent, out of \$742,850,163 of total direct procurement expenditures as itemized in the table below:

Diverse Category	Total Direct Procurement Expenditures Reported	Expenditures Tested	Percent Tested
Total MBE	\$ 546,381,008	\$ 19,952,970	3.65%
WBE	153,925,676	2,882,831	1.87%
LGBTBE	646,290	319,493	49.43%
DVBE	41,897,189	135,740	0.32%
TOTAL WMDVLGBTBE	\$ 742,850,163	\$ 23,291,034	3.14%

- Subcontractor Procurement: We tested \$5,963,177, or 2.15 percent, out of \$276,816,931 of total subcontractor procurement expenditures, as itemized in the table below:

Diverse Category	Total Subcontractor Procurement Expenditures Reported	Expenditures Tested	Percent Tested
Total MBE	\$ 169,299,696	\$ 1,655,250	0.98%
WBE	74,910,139	3,097,196	4.13%
LGBTBE	69,456	28,229	40.64%
DVBE	32,537,640	1,182,502	3.63%
TOTAL WMDVLGBTBE	\$ 276,816,931	\$ 5,963,177	2.15%

- For the selected samples, we verified whether the diverse procurement expenditures paid during the audit period were reported accurately, supported by appropriate source documents, relevant to the SDP, and incurred in compliance with applicable PU Code sections, GO 156, CPUC directives, and SoCalGas's policies and procedures by:
  - tracing expenditures to invoices and payment supporting evidence to ensure expenditures (1) were paid within the audit period; (2) agreed to the invoice and payment evidence amounts; and (3) were calculated accurately.
  - verifying payments were made to the eligible suppliers.

We did not audit SoCalGas's financial statements. We limited our audit scope to planning and performing audit procedures necessary to obtain reasonable assurance that SoCalGas properly incurred, adequately supported, and accurately reported its SDP procurement expenditures in accordance with applicable criteria. We considered SoCalGas's internal controls only to the extent necessary to plan the audit and achieve our audit objectives.

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). GAGAS standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

## Conclusion

Based on our audit objective, procedures performed, samples tested, and evidence gathered, we determined that SoCalGas's SDP procurement expenditures in its 2023 SDP Annual Report were generally reported accurately, properly supported, and in compliance with GO 156 requirements and guidance. However, we did identify one instance of noncompliance as quantified in the Summary Schedules of Audit Results and described it in the Finding and Recommendation section of this audit report.

## Views of Responsible Officials

We issued a draft report on December 5, 2025. SoCalGas responded by email on December 10, 2025, stating it did not have additional comments and agreeing to provide its corrective action plan upon issuance of the final report.

## Restricted Use

This audit report is intended solely for the information and use of SoCalGas and CPUC; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this audit report, which is a matter of public record and will be available on CPUC's website at [Audit Reports by Industry \(ca.gov\)](#).

*Alasha Vorobyeva for Angie Williams*

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Angie Williams, Director  
Utility Audits, Risk and Compliance Division

## SUMMARY SCHEDULES OF AUDIT RESULTS

**Table 1: Schedule of SoCalGas' Supplier Diversity Program Procurement for PY 2023**

WMDVLGBTBE Annual Results by Ethnicity		As Reported	As Audited	Audit Adjustment	Findings
<b>Direct Procurement Expenditures</b>					
Minority Male	African American	\$82,567,669	\$82,567,669	\$ -	
	Asian Pacific American	128,648,160	128,648,160	-	
	Hispanic American	196,342,579	196,342,579	-	
	Native American	73,906,216	73,906,216	-	
	<b>Total Minority Male</b>	<b>481,464,624</b>	<b>481,464,624</b>	\$ -	
Minority Female	African American	\$16,703,324	\$16,703,324	\$ -	
	Asian Pacific American	27,530,992	27,530,992	-	
	Hispanic American	20,286,411	20,286,411	-	
	Native American	395,657	395,657	-	
	<b>Total Minority Female</b>	<b>64,916,384</b>	<b>64,916,384</b>	\$ -	
<b>Total MBE</b>		<b>546,381,008</b>	<b>546,381,008</b>	-	
WBE		153,925,676	153,925,676	-	
LGBTBE		646,290	646,290	-	
DVBE		41,897,189	41,897,189	-	
<b>Total Direct Expenditures</b>		<b>\$742,850,163</b>	<b>\$742,850,163</b>	\$ -	
<b>Subcontractor Procurement Expenditures</b>					
Minority Male	African American	\$22,051,949	\$22,051,949	\$ -	
	Asian Pacific American	20,092,742	20,092,742	-	
	Hispanic American	79,606,825	79,606,825	-	
	Native American	3,366,432	3,366,432	-	
	<b>Total Minority Male</b>	<b>125,117,948</b>	<b>125,117,948</b>	\$ -	
Minority Female	African American	\$10,004,632	\$7,298,361	\$ (2,706,271)	Finding #1
	Asian Pacific American	4,918,959	4,918,959	-	
	Hispanic American	28,802,181	28,802,181	-	
	Native American	455,976	455,976	-	
	<b>Total Minority Female</b>	<b>44,181,748</b>	<b>41,475,477</b>	\$ (2,706,271)	Finding #1
<b>Total MBE</b>		<b>169,299,696</b>	<b>166,593,425</b>	<b>(2,706,271)</b>	Finding #1
WBE		74,910,139	77,616,410	<b>2,706,271</b>	Finding #1
LGBTBE		69,456	69,456	-	
DVBE		32,537,640	32,537,640	-	
<b>Total Subcontractor Expenditures</b>		<b>\$276,816,931</b>	<b>\$276,816,931</b>	\$ -	
<b>TOTAL WMDVLGBTBE</b>		<b>\$1,019,667,094</b>	<b>\$1,019,667,094</b>	\$ -	

**Table 2: SoCalGas' WMDVLGBTBE Annual Goals for PY 2023 – Audited vs. Reported<sup>4</sup>**

Diversity Category	Procurement Amount As Reported	Procurement Amount As Audited	Procurement Result % As Reported	Procurement Result % As Audited	CPUC Goal
MBE	\$ 715,680,704	\$ 712,974,433	30.91%	30.80%	15.0%
WBE	228,835,815	231,542,086	9.89%	10.00%	5.0%
LGBTBE	715,746	715,746	0.03%	0.03%	1.0%
DVBE	74,434,829	74,434,829	3.22%	3.22%	1.5%
<b>Total WMDVLGBTBE</b>	<b>\$ 1,019,667,094</b>	<b>\$ 1,019,667,094</b>	<b>44.05%</b>	<b>44.05%</b>	<b>22.5%</b>

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<sup>4</sup> As reported in SoCalGas' 2023 Supplier Diversity Report, pages 22-23.

## FINDING AND RECOMMENDATION

### Finding: Misclassified Expenditures Between WBE and MBE Categories.

#### Condition:

SoCalGas misclassified the expenditures totaling \$2,706,001 for one WBE subcontractor, [REDACTED], as MBE instead of WBE category, which led to the associated expenditure being inaccurately reported under the MBE category instead of the WBE category. Our testing of SoCalGas' diverse supplier eligibility disclosed that the utility misclassified one out of 68 diverse suppliers we selected for review. As a result, SoCalGas overstated \$2,706,001 in subcontractor expenditures under the MBE category and understated the WBE expenditure by the same amount in its 2023 SDP Annual Report. The table below summarizes the expenditure amounts associated with this misclassification:

DBE Category SoCalGas Annual Report	Total Expenditures Reported	Total Expenditures Misclassified	Total Expenditures as Audited
MBE	\$ 169,299,696	\$ (2,706,001)	\$ 166,593,695
WBE	74,910,139	2,706,001	77,616,140
Total MBE and WBE	<u>\$ 244,209,835</u>	<u>\$ -</u>	<u>\$ 244,209,835</u>

Although the above misclassifications resulted in inaccurate reporting of expenditures for specific DBE categories, they did not affect the total SDP expenditures reported in the annual report.

#### Criteria:

GO 156 section 9.1. states, in part:

The annual Report shall contain at least the following elements:

... (2) A summary of purchases and/or contracts, with breakdowns by ethnicity, product and service categories compared with total contract dollars awarded to outside suppliers in those categories, and with information regarding the total number of contracts, and the dollars awarded to eligible suppliers under the Commission's Supplier Diversity Program...

(3) An itemization of program expenses provided in the format approved by Commission staff as guided by Attachment A to D.95-12-045, D.15-06-007, and other relevant decisions.

CPUC's GO 156 Frequently Asked Questions (FAQs), Reporting Requirements, issued on February 5, 2016, Page 1 states, in part:

...The utilities should be aware of things such as:

...5. Making sure expenditures are applied to the correct diverse category (i.e., payments to DVBES are not reported as MBE or WBE, and vice-versa).



**Cause:**

SoCalGas explained that the subcontractor was initially certified and listed as both an MBE and a WBE categories. However, after the subcontractor's MBE certification lapsed, SoCalGas overlooked updating the DBE category to reflect only the WBE designation.

**Effect:**

SoCalGas misclassified SDP procurement expenditures among DBE categories in its 2023 SDP Annual Report, distorting the representation of actual benefits received by the affected diverse groups.

The intent of SDP Annual Report is to provide CPUC with information on the utilities' diversity procurement performance, progress in meeting their procurement goals, and future program enhancement plans. CPUC relies upon the program data reported in the SDP Annual Reports to monitor SoCalGas' and other participating utilities' program performance and progress in achieving the supplier diversity procurement goals. Reporting inaccurate SDP procurement expenditures impacts the reliability of the SDP data CPUC relies upon to gauge the performance of SoCalGas SDP, while it also reduces the comparability of SDP program data among utilities.

**Recommendation:**

SoCalGas should strengthen its monitoring and review procedures for SDP reporting process by implementing a thorough review of its SDP Annual Reports and associated data prior to submission to CPUC, ensuring SDP procurement expenditures are properly classified and accurately reported under the correct DBE categories.