



## Internal Audit Department

O R A N G E C O U N T Y

## AUDIT HIGHLIGHT SEPTEMBER 15, 2011

**INTERNAL CONTROL AUDIT:  
HEALTH CARE AGENCY -  
CONTRACT DEVELOPMENT AND MANAGEMENT  
PAYMENT APPROVAL AND FISCAL MONITORING  
Audit No. 1030**

**WHY IS THIS AUDIT IMPORTANT?**

The Health Care Agency (HCA) is dedicated to protecting and promoting the optimal health of individuals, families, and communities in Orange County. Within HCA, the **Contract Development and Management** (CDM) Division is responsible for developing, soliciting, negotiating, and administering human services contracts. During Fiscal Year 2010-11, CDM administered **496 human services contracts totaling \$271 million**, many of which contain multiple funding sources and distinctly different programs. These human services contracts include public health, behavioral health, and medical and institutional health services. Contract providers include hospitals, clinics, educational institutions, and both for-profit and non-profit community based programs. CDM is responsible for reviewing and approving contractor invoices, which totaled over **\$198 million**. CDM also administers the solicitation and coordination of external audit firms to conduct fiscal monitoring audits of HCA contractors. Fiscal monitoring is an important process to ensure contractors are expending County funds in accordance with contract terms and help to detect misuse of funds.

**WHAT THE AUDITORS FOUND?****Successes**

Our audit found internal controls over HCA/CDM's payment approval and fiscal monitoring processes are adequate, with some exceptions, and provide reasonable assurance that contract payments are valid, supported, authorized, timely, and comply with contract terms and with County and HCA/CDM's policies. We found that external firms conduct fiscal monitoring audits on contractors to ensure the propriety of program expenditures.

**Audit Findings and Control Recommendations**

We identified **nine (9) Control Findings** to improve controls over the payment approval process with regard to establishing limits for authorization of payments, performing supervisory reviews of high dollar payments, verifying authorized contractor signatures, and updating written policies and procedures. We also recommended enhancing the fiscal monitoring process in regard to use of audit tracking logs and the timeliness of fiscal monitoring reviews to ensure the proper use of County funds by contractors. HCA/CDM management agreed with all of the findings and recommendations.