

Internal Audit Department

O R A N G E C O U N T Y
6th Largest County in the USA

Internal Control & Compliance Audit

OC COMMUNITY RESOURCES PROCUREMENT PROCESS FOR HUMAN SERVICES CONTRACTS

For the Period January 1, 2014
through December 31, 2014

During 2014, OC Community Resources' Contract Development & Management Unit procured and administered 69 human services contracts totaling \$33.7 million in the Community Investment Division, Housing & Community Development, and the Office on Aging.

At the request of OC Community Resources (OCCR), we audited processes and controls over the procurement of human services contracts to ensure OCCR is complying with requirements in the County's Contract Purchasing Manual, and to determine if internal controls and processes promote sound business practices.

Our audit found that OCCR's Contract Development & Management Unit has well-defined controls and processes in place for procuring human services contracts in compliance with Contract Policy Manual requirements and in alignment with other business practices in other County departments/agencies that process human services contracts. Our audit identified **four (4) control findings and three (3) efficiency/effectiveness findings resulting in seven (7) recommendations** to further enhance controls over the human services contracts procurement process.

AUDIT NO. 1426
REPORT DATE: JUNE 22, 2015

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RISK BASED AUDITING

GAO & IIA Peer Review Compliant – 2001, 2004, 2007, 2010, 2013



American Institute of Certified Public Accountants Award to Dr. Peter Hughes as 2010 Outstanding CPA of the Year for Local Government

GRC (Government, Risk & Compliance) Group 2010 Award to IAD as MVP in Risk Management



2009 Association of Certified Fraud Examiners' Hubbard Award to Dr. Peter Hughes for the Most Outstanding Article of the Year – Ethics Pays



2008 Association of Local Government Auditors' Bronze Website Award



2005 Institute of Internal Auditors' Award to IAD for Recognition of Commitment to Professional Excellence, Quality, and Outreach

 ORANGE COUNTY BOARD OF SUPERVISORS'
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GAO & IIA Peer Review Compliant - 2001, 2004, 2007, 2010, 2013

Providing Facts and Perspectives Countywide

RISK BASED AUDITING

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Transmittal Letter



Audit No. 1426 June 22, 2015

TO: Steve Franks, Director
OC Community Resources

FROM: Dr. Peter Hughes, CPA, Director
Internal Audit Department

SUBJECT: Internal Control & Compliance Audit:
OC Community Resources - Procurement
Process for Human Services Contracts

At the request of OC Community Resources, we have completed an Internal Control & Compliance Audit of OC Community Resources - Procurement Process for Human Services Contracts for the period January 1, 2014 through December 31, 2014. We performed this audit in accordance with our *FY 2014-15 Audit Plan and Risk Assessment* approved by the Audit Oversight Committee and the Board of Supervisors. Our final report is attached for your review.

Please note we have a structured and rigorous **Follow-Up Audit** process in response to recommendations and suggestions made by the Audit Oversight Committee (AOC) and the Board of Supervisors (BOS). Our **First Follow-Up Audit** will begin at six months from the official release of the report. A copy of all our Follow-Up Audit reports is provided to the BOS as well as to all those individuals indicated on our standard routing distribution list.

The AOC and BOS expect that audit recommendations will typically be implemented within six months and often sooner for significant and higher risk issues. Our **Second Follow-Up Audit** will begin at six months from the release of the first Follow-Up Audit report, by which time **all** audit recommendations are expected to be addressed and implemented. At the request of the AOC, we are to bring to their attention any audit recommendations we find still not implemented or mitigated after the second Follow-Up Audit. The AOC requests that such open issues appear on the agenda at their next scheduled meeting for discussion.

We have attached a **Follow-Up Audit Report Form**. Your department should complete this template as our audit recommendations are implemented. When we perform our first Follow-Up Audit approximately six months from the date of this report, we will need to obtain the completed form to facilitate our review.

Each month I submit an **Audit Status Report** to the BOS where I detail any material and significant audit findings released in reports during the prior month and the implementation status of audit recommendations as disclosed by our Follow-Up Audits. Accordingly, the results of this audit will be included in a future status report to the BOS.

As always, the Internal Audit Department is available to partner with your staff so that they can successfully implement or mitigate difficult audit recommendations. Please feel free to call me should you wish to discuss any aspect of our audit report or recommendation. Additionally, we will request your department complete a **Customer Survey** of Audit Services. You will receive the survey shortly after the distribution of our final report.

ATTACHMENTS

Other recipients of this report are listed on the **OC Internal Auditor's Report** on page 5.

Table of Contents



*Internal Control & Compliance Audit:
OC Community Resources
Procurement Process for Human Services Contracts
Audit No. 1426*

For the Period January 1, 2014 through December 31, 2014

Transmittal Letter	i
OC Internal Auditor's Report	
OBJECTIVES	1
RESULTS	1
BACKGROUND	2
SCOPE AND METHODOLOGY	4
SCOPE EXCLUSIONS	4
Detailed Results, Findings, Recommendations and Management Responses	
Finding No. 1 – Establishment of Written Policies and Procedures (Control Finding)	6
Finding No. 2 – Evaluation of Contractor Performance Not Documented (Control Finding)	7
Finding No. 3 – Comparing Contract Inventories with Other Departments/Agencies (Control Finding)	8
Finding No. 4 – Use of Expediter for All Contract Requisitions (Control Finding)	9
Finding No. 5 – Participation in the Human Services Procurement Workgroup (Efficiency/Effectiveness Finding)	10
Finding No. 6– Time Requirements for Evaluation Committee Members (Efficiency/Effectiveness Finding)	11
Finding No. 7 – Vacancies in OCCR/Contract Development & Management (Efficiency/Effectiveness Finding)	11
ATTACHMENT A: Report Item Classifications	12
ATTACHMENT B: OC Community Resources Management Responses	144

OC Internal Auditor's Report



Audit No. 1426

June 22, 2015


Audit Highlight

Section 3.4 of the County of Orange Contract Policy Manual (CPM) governs the administration of human services contracts. The CPM states "Human services contracts include all contracts for services that directly maintain or improve the social, economic, physical, or mental well-being of persons for whom the County bears such a responsibility."

During 2014, OCCR's Contract Development & Management Unit procured and administered **69 human services contracts totaling \$33.7 million** in the Community Investment Division, Housing & Community Development, and the Office on Aging.

We audited internal controls over the procurement process for human services contracts, including contract amendments and renewals. We found a well-defined process that is in compliance with County and OCCR policy and procedures. Our audit identified **four (4) control findings and three (3) efficiency/effectiveness findings resulting in seven (7) recommendations** to enhance existing internal controls and processes for procuring human services contracts.

TO: Steve Franks, Director
OC Community Resources

FROM: Dr. Peter Hughes, CPA, Director
Internal Audit Department 

SUBJECT: Internal Control & Compliance Audit:
OC Community Resources Procurement Process for
Human Services Contracts

OBJECTIVES

At the request of OC Community Resources (OCCR), the Internal Audit Department conducted an Internal Control & Compliance Audit of OCCR's Procurement Process for human services contracts. We conducted this audit in accordance with our *FY 2014-15 Audit Plan and Risk Assessment* approved by the Audit Oversight Committee and the Board of Supervisors. Our audit included an evaluation of internal controls, testing compliance with OCCR and County policies, and evaluating process efficiencies and effectiveness. Our audit was conducted in conformance with professional standards established by the Institute of Internal Auditors. The objectives of this audit were to:

1. Evaluate internal controls and processes over the procurement of human services contracts by the Contract Development & Management Unit.
2. Evaluate compliance over the procurement of human services contracts with requirements in the Contract Policy Manual and OCCR's policies and procedures.
3. Evaluate internal controls and processes over human services contract amendments and renewals.
4. Determine if OCCR's procurement process for human services contracts is efficient and effective (e.g., no backlogs, duplication of work, manual processes that could benefit from automation).

RESULTS

Objective #1: OCCR has an established process and internal controls in place over the procurement process for human services contracts. We identified **one (1) Control Finding**.

Objective #2: OCCR's procurement process for human services contracts is in compliance with the Contract Policy Manual and with OCCR's policies and procedures, with two exceptions noted. We identified **two (2) Control Findings** concerning the documentation of contractor performance and comparing contract inventories with other County departments/agencies that procure human services contracts that are required by the Contract Policy Manual.

Objective #3: OCCR has internal controls in place over human services contract amendments and renewals, with one exception noted. We identified **one (1) Control Finding** concerning the use of the Expeditor requisition system for all human services contracts and amendments.

Objective #4: We did not note any backlogs or duplication of work in OCCR's procurement process over human services contracts. We identified **three (3) Efficiency/Effectiveness Findings** for OCCR's consideration that do not represent areas of non-compliance with County and OCCR policy.

OC Internal Auditor's Report



The following table summarizes our findings and recommendations for this audit. See further discussion in the *Detailed Results, Findings, Recommendations and Management Responses* section of this report. See *Attachment A* for a description of Report Item Classifications.

Summary Table of Findings and Recommendations

Finding No.	Finding Classification (see Attachment A)	Finding and Page No. in Audit Report	Recommendation	Concurrence by Management?
1.	Control Finding	Need to establish written policies and procedures to supplement Contract Policy Manual	Develop written policies and procedures that supplement the Contract Policy Manual	Yes.
2.	Control Finding	Evaluation of contractor performance was performed, but not documented	Prepare documentation of contractor performance as required by Contract Policy Manual	Yes.
3.	Control Finding	Comparing human services contract Inventories with other County departments not done	Establish a process to annually compare human services contract inventories with other County departments	Yes.
4.	Control Finding	Expediter requisition system was not used for all contract requisitions	Establish a policy to require all human services contract and modifications be requisitioned using the Expediter system	Yes.
5.	Efficiency/ Effectiveness Finding	Participation in County Human Services Procurement Workgroup	OCCR/CDM continue its participation in the County Human Services Procurement Workgroup	Yes.
6.	Efficiency/ Effectiveness Finding	Participation on proposal evaluation committees can be time consuming	Explore options to minimize the time needed to participate on proposal evaluation committees	Yes.
7.	Efficiency/ Effectiveness Finding	Vacancies in the CDM unit result in staff working excess hours and on most weekends	Evaluate departmental recruiting needs to determine recruitment priorities for vacancies in OCCR/CDM	Yes.

BACKGROUND

OCCR's mission and vision is "Connecting people and resources" and "Positively transforming lives in Orange County," respectively.

OCCR was created in March 2008 to provide greater access to residents and visitors who want to fully utilize the resources available in their communities. This was achieved by bringing four departments into one agency: (1) **OC Animal Care**, (2) **OC Community Services**, (3) **OC Parks**, and (4) **OC Public Libraries**. OCCR's **Administrative Services Division** provides administrative support activities, which include purchasing, facilities construction and maintenance, budget, accounting, information technology, organizational development and other support services. **OCCR Accounting**, an Auditor-Controller Satellite Accounting Unit, is responsible for providing specialized accounting services to OCCR.

OCCR Purchasing & Contract Management

Purchasing & Contracts Management is under OCCR's Administrative Services Division and is responsible for all OCCR purchasing. Within this section is **Contract Development & Management** (CDM) that is responsible for procuring and administering OCCR's human services contracts. CDM consists of a Procurement Manager and five staff that process and administer human services contracts.



Human Services Contracts

Section 3.4 of the 2012 County of Orange **Contract Policy Manual** (CPM) governs the administration of human services contracts. The CPM states “Human services contracts include all contracts for services that directly maintain or improve the social, economic, physical, or mental well-being of persons for whom the County bears such a responsibility. Included in the definition of human services contracts are services provided in response to or in support of federal, state and/or local service mandates to provide health and human services to a target population.”

The CPM also states that “**the agencies/departments responsible for providing human services will also be directly responsible for human services contracts**, including the responsibility for: issuing solicitations; accepting or rejecting proposals; developing and administering the proposal evaluation process; selecting proposal evaluation committee members, and making the final selection recommendation for contract issuance or forwarding the recommendation to the Board of Supervisors for final selection.”

In addition, the CPM states “Those positions in these agencies/departments will **not be required to be deputized by the County Purchasing Agent**, but may avail themselves of the training opportunities provided by the Office of the County Purchasing Agent.” As such, there is no specific requirement that individuals involved in the procurement and administration of human services contracts are Deputy Purchasing Agents (DPAs). However, we noted OCCR’s Contract Development & Management Unit is staffed with DPAs who are involved with the procurement of human services contracts. In addition to the CPM, the County Procurement Office (CPO) provides guidance on various contractual issues.

OCCR participates in a **Human Services Procurement Workgroup** with other County agencies that procure human services contracts (Health Care Agency, Social Services Agency and Probation). This workgroup shares best practices and policies and procedures with each other. In 2012, the workgroup developed draft “*Human Services Procurement: Contract Policy Guidelines*” that provide additional guidance on the procurement process.

Contract & Development Management maintains a human services contract inventory. At December 31, 2014, OCCR had in effect **69 human services contracts** with the funding amount **totaling \$33,689,331**. The individual maximum contract obligations range from \$12,209 to \$8,050,711. Below is a summary of human services contracts by program division:

Contracts	No. of Financial Contracts	Budget
Community Investment Division	25	\$16,449,076
Housing & Community Development	19	4,072,419
Office on Aging	25	13,167,836
Total	69	\$33,689,331

Contract Amendments and Renewals

Contract amendments are needed for additional funding or time to complete the contract terms. OCCR Programs determine when contract amendments are needed and initiate a requisition in the Expediter system along with required supporting documentation (e.g., change in scope of services, budget, etc.). If the amendment requires BOS approval, an ASR is developed and Board of Supervisor approval is obtained (such as renewal of a contract for a funding change outside the stated contract contingency). Certain amendments do not require BOS approval such as extensions or funding within the contract contingency. For contract renewals, Contract Development & Management compiles and maintains a “Contract Status Master” Excel spreadsheet indicating all contract term dates. OCCR Programs have primary responsibility for advising CDM if contracts will be renewed and/or amended.



SCOPE AND METHODOLOGY

Our audit covered the period January 1, 2014 through December 31, 2014, and included:

1. Evaluating processes and controls over the procurement of human services contracts for the Community Investment Division, Housing & Community Development, and the Office on Aging. Included in this evaluation is OCCR's participation in the County's Human Services Procurement Workgroup where best practices are shared among departments/agencies. We evaluated controls (e.g., segregation of duties, reviews/approvals, written policies and procedures) by conducting interviews and walk-throughs, reviewing documentation and performing limited testing.
2. Evaluating OCCR's compliance with the Contract Policy Manual and internal policies and procedures concerning the procurement of human services contracts. We conducted interviews and evaluated OCCR's compliance by testing a sample of contracts. We included the Request for Proposal (RFP) process that involves establishing evaluation committees for reviewing and determining potential vendors.
3. Evaluating internal controls and processes in Contract Development & Management over contract amendments and renewals by obtaining an understanding of the process and performing limited testing.
4. Inquiring and observing for opportunities to enhance process efficiencies and effectiveness concerning the procurement of human services contracts.

SCOPE EXCLUSIONS

Our audit did not include a review of the information technology controls for the Expediter system or other applications or systems used in the procurement of human services contracts. We also excluded certain cost-applied and non-financial human services contracts procured by Contract Development & Management.

Management's Responsibilities for Internal Controls

In accordance with the Auditor-Controller's County Accounting Manual section S-2 *Internal Control Systems*, "All County departments/agencies shall maintain effective internal control systems as an integral part of their management practices. This is because management has primary responsibility for establishing and maintaining the internal control system. All levels of management must be involved in assessing and strengthening internal controls..." Control systems shall be continuously evaluated (by Management) and weaknesses, when detected, must be promptly corrected. The criteria for evaluating an entity's internal control structure is the Committee of Sponsoring Organizations (COSO) control framework. Our Internal Control Audit enhances and complements, but does not substitute for, OC Community Resources' continuing emphasis on control activities and self-assessment of control risks.

Inherent Limitations in Any System of Internal Control

Because of inherent limitations in any system of internal controls, errors or irregularities may nevertheless occur and not be detected. Specific examples of limitations include, but are not limited to, resource constraints, unintentional errors, management override, circumvention by collusion, and poor judgment. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or the degree of compliance with the procedures may deteriorate. Accordingly, our audit would not necessarily disclose all weaknesses in OC Community Resources' operating procedures, accounting practices, and compliance with County policy.

Acknowledgment

We appreciate the courtesy extended to us by OC Community Resources during our audit. If we can be of further assistance, please contact me directly at 834-5475 or Michael Goodwin, Assistant Director/Senior Audit Manager at 834-6066.



Attachments

Distribution Pursuant to Audit Oversight Committee Procedure No. 1:

Members, Board of Supervisors
Members, Audit Oversight Committee
Frank Kim, County Executive Officer
Mark Denny, Chief Operating Officer
Thea Bullock, Manager, OCCR
Clyde Gamboa, Manager, Administrative Services/IT, OCCR
Lydia Garcia, Manager, Purchasing & Contract Services, OCCR
Karen Roper, Director, OC Community Services, OCCR
Julia Bidwell, Deputy Director, Housing and Community Development, OCCR
Andrew Munoz, Manager, Community Investment Division, OCCR
Renee Ramirez, Manager, Office on Aging, OCCR
Maria Cabrera, Contract Manager, Contract Development & Management, OCCR
Judi Crumly, Contract Manager, Contract Development & Management, OCCR
Hong Lin, Staff Specialist, Contract Development & Management, OCCR
Foreperson, Grand Jury
Robin Stieler, Interim Clerk of the Board of Supervisors
Macias Gini & O'Connell LLP, County External Auditor

Detailed Results, Findings, Recommendations and Management Responses



Objective #1: Evaluate internal controls and processes over the procurement of human services contracts by the Contract Development & Management Unit.

AUDIT STEPS AND RESULTS

To accomplish this objective, we performed the following audit steps:

- ✓ Held meetings with OCCR's Contract Development Management (CDM) personnel responsible for procuring all of OCCR's human services contracts.
- ✓ Obtained and reviewed CDM's human services contracts Workflow Process, contract inventory listings, and various forms and documents used in the procurement process.
- ✓ Held meetings with Division Managers in Housing & Community Development, Community Investment and Office on Aging that review/approve human services contracts.
- ✓ Performed a walk-through of the human services contracts procurement process starting with the development of the Request for Proposal through contract execution.
- ✓ Performed testing of procurements from each division and evaluated for segregation of duties, management reviews and approvals, and the adequacy of processes to ensure compliance with Contract Policy Manual requirements.
- ✓ Reviewed draft versions of *Human Services Procurement: Request for Proposal Best Practices* and *Contract Policy Guidelines* that are "companions" to the Contract Policy Manual. These were prepared by County departments/agencies that periodically meet and discuss issues and best practices for processing human services contracts, which includes the Health Care Agency, Social Services Agency, Probation Department and OCCR.

CONCLUSION

Our audit found that CDM has well-defined controls and processes in place for procuring human services contracts that help ensure compliance with Contract Policy Manual requirements. These processes and controls are in alignment with procurement practices in other County departments/agencies that process human services contracts. CDM has Deputy Purchasing Agents (DPAs) involved in procuring human services contracts, and maintains a workflow process document that describes each step in the process. CDM staff also participate in the Human Services Procurement workgroup that shares County best practices. We identified **one (1) Control Finding** to develop written procedures to supplement the procurement workflow process.

Finding No. 1 – Establishment of Written Policies and Procedures (Control Finding)

Summary

OCCR's CDM developed a "*CDM Human Services Workflow Processes*" checklist showing the steps for procuring human services contracts, which was developed based on Contract Policy Manual requirements and County policy. To supplement the workflow document, OCCR should establish written procedures detailing the requirements for each defined step.

Details

The Contract Policy Manual (CPM) was established by the County Procurement Office (CPO). The CPO has the sole authority and responsibility for establishing the County procurement policies. Departments/agencies that procure contracts must abide by CPM policy requirements. Because each department/agency may have other operating, internal control, or staffing issues concerning contract procurements, they typically establish internal written procedures as a guide to both new and current staff responsible for procurement.

Detailed Results, Findings, Recommendations and Management Responses



OCCR's CDM developed a checklist showing the workflow processes; however, OCCR should supplement the workflow checklist with written procedures detailing requirements and timeframes. Having documented procedures helps ensure that management's directives are carried out consistently and that process objectives are achieved. We provided OCCR with a document that we developed based on their established workflow processes that can be converted into a department procedure.

Recommendation No. 1

OCCR/CDM prepare written procedures governing its human services contracting processes that are approved by management and are disseminated to staff responsible for procurement of human services contracts.

OC Community Resources Management Response:

Concur. Policies are in development.

Objective #2: Evaluate compliance over the procurement of human services contracts with requirements in the Contract Policy Manual and OCCR's policies and procedures.

AUDIT STEPS AND RESULTS

To accomplish this objective, we performed the following:

- ✓ Obtained an understanding of the *2012 Contract Policy Manual* requirements as prescribed in *Section 3.4 – Human Services Contracts*.
- ✓ Performed a walk-through of the human services contracts procurement process starting with the development of the Request for Proposal through contract execution.
- ✓ Performed testing of procurements from each division and evaluated for segregation of duties, management reviews and approvals, and the adequacy of processes to ensure compliance with Contract Policy Manual requirements.
- ✓ Held meetings with OCCR's Division Managers in Housing & Community Development, Community Investment and Office on Aging to determine if there were issues concerning non-compliance with CPM and OCCR policies and procedures.

CONCLUSION

Our audit found that OCCR's procurement of human services contracts was conducted in accordance with the requirements of the Contract Policy Manual and OCCR policies and procedures, except in two areas noted below. We identified **two (2) Control Findings** to enhance compliance with CPM requirements:

Finding No. 2 – Evaluation of Contractor Performance Not Documented (Control Finding)

Summary

Program staff evaluated if there was satisfactory performance of contractors prior to recommending renewal or extension of an existing contract, but did not always document the evaluation as required by the Contract Policy Manual.

Details

Section 3.4.109 of the Contract Policy Manual states that "prior to recommending renewal or extension of an existing contract, the agency/department should document that performance of the contractor has been satisfactory."



OCCR should ensure that Program staff document the satisfactory performance of contractors prior to recommending renewal or extension of an existing contract. By not documenting contractor performance, some contractors not performing satisfactorily may receive contract renewals or extensions. OCCR/CDM recently developed a form for Program staff to use to document contractor performance.

Recommendation No. 2

OCCR/CDM ensure Program staff document the satisfactory performance of contractors prior to recommending renewal or extension of an existing contract.

OC Community Resources Management Response:

Concur. Evaluation tools and review process are in development.

Finding No. 3 – Comparing Contract Inventories with Other Departments/Agencies (Control Finding)

Summary

OCCR/CDM does not compare contract inventories annually with other departments that process human services contracts as required by Section 3.4 of the Contract Policy Manual.

Details

Section 3.4.104 of the *Contract Policy Manual* states that “every reasonable effort shall be made to ensure, through interagency coordination, that human services contracts and funding provided by other County Human Services Agencies (CHSA) are not duplicated. CHSA should compare contract inventories at least once annually and share appropriate information.”

OCCR/CDM indicated that this was not done because of time and resource constraints. Not comparing inventories increases the risk that funding and services could be duplicated. Upon notification of this issue, OCCR/CDM submitted their contract inventory to staff in Probation, Social Services Agency and Health Care Agency that process human services contracts.

Recommendation No. 3

OCCR/CDM compare contract inventories annually with other departments that process human services contracts.

OC Community Resources Management Response:

Concur. OCCR CDM has initiated the process with the County Human Services Procurement Workgroup in February 2015.



Objective #3: Evaluate internal controls and processes over human services contract amendments and renewals.

AUDIT STEPS AND RESULTS

To accomplish this objective, we performed the following audit steps:

- ✓ Reviewed the *Contract Policy Manual Section 3.4 – Human Services Contracts* pertaining to contract amendments and renewals.
- ✓ Held meetings with OCCR's Contract Development Management (CDM) personnel responsible for procuring all of OCCR's human services contracts and discussed the contract amendment and renewal processes.
- ✓ Obtained and reviewed CDM's human services contracts Workflow Process, contract inventory listings, and various forms and documents used in the procurement process concerning contract amendments and renewals.
- ✓ Evaluated a sample of contract renewals and amendments to determine if they were in compliance with County and OCCR policies and procedures.

CONCLUSION

OCCR has internal controls in place over human services contract amendments and renewals, with one exception noted, to ensure compliance with County and OCCR policies and procedures for procuring human services contracts. We identified **one (1) Control Finding** concerning the use of the Expediter requisition system for contract amendments.

Finding No. 4 – Use of Expediter for All Contract Requisitions (Control Finding)

Summary

Program staff do not always enter all Purchase Requisitions into OCCR's Expediter system.

Details

We were informed of instances where contract amendments, including "no-cost" amendments, were not input into the Expediter system by Program staff and not routed to OCCR/CDM for review. OCCR's policy expectation is that all contract amendments be input and requisitioned via Expediter. Without consistent use of the Expediter system, there could be an increase in contract administration inefficiencies and lack of documented review and approval of contract amendments.

Recommendation No. 4

OCCR/CDM require all purchase/contractual requests to be requested via Purchase Requisition through OCCR's Expediter system.

OC Community Resources Management Response:

Concur. OCCR CDM has initiated change in process, and started drafting a procedure.



Objective #4: Determine if OCCR's procurement process for human services contracts is efficient and effective (e.g., no backlogs, duplication of work, manual processes that could benefit from automation).

AUDIT STEPS AND RESULTS

To accomplish this objective, we performed the following audit steps:

- ✓ Performed a walk-through of the human services contracts procurement process starting with the development of the Request for Proposal through contract execution.
- ✓ Used auditor observation and inquiry to determine the existence of any backlogs or duplicative work performed in the procurement of human services contracts.
- ✓ Met with OCCR/CDM management and staff and discussed issues concerning meeting their work objectives.
- ✓ Held meeting with OCCR's Division Managers in Housing & Community Development, Community Investment and Office on Aging to determine if there were issues concerning the human services contract procurement process.

CONCLUSION

Our audit found that there were no backlogs or duplication of work in OCCR/CDM's procurement of human services contracts. Although we did not note any instances, we did note opportunities where OCCR/CDM can further enhance its efficiency and effectiveness in the procurement of human services contracts. Through partnering with OCCR/CDM, we identified the following **three (3) Efficiency/Effectiveness Findings** that OCCR should implement to further enhance process efficiency and effectiveness. Note: These findings and recommendations do not represent areas of non-compliance with County and OCCR policy.

Finding No. 5 – Participation in the Human Services Procurement Workgroup (Efficiency/Effectiveness Finding)

Summary

OCCR/CDM participates in a Human Services Procurement Workgroup with members of SSA, HCA and Probation. The workgroup resumed its monthly meetings in January 2015 after a two year hiatus. We encourage OCCR/CDM to continue to participate in these meetings.

Details

OCCR/CDM participates in a Human Services Procurement Workgroup with members of SSA, HCA and Probation. The workgroup was formed to address items not covered by the Contract Policy Manual. The Contract Policy Manual delegates responsibility for procuring human services contracts to departments/agencies, and does not require the positions to be Deputy Purchasing Agents (DPAs).

As such, we believe it is important for OCCR to participate in this workgroup because it allows staff who administer human services contracts to partner and to share ideas and best practices. The workgroup has developed draft *Human Services Procurement: Contract Policy Guidelines, A Companion to the Contract Policy Manual* and *Request for Proposal Best Practices*. Participation in this workgroup helps OCCR and the other participating County departments stay current on human services contract issues.

Recommendation No. 5

OCCR/CDM continue its participation in the Human Services Procurement Workgroup.

Detailed Results, Findings, Recommendations and Management Responses



OC Community Resources Management Response:
Concur and fully implemented.

Finding No. 6 – Time Requirements for Evaluation Committee Members **(Efficiency/Effectiveness Finding)**

Summary

OCCR/CDM is responsible for developing and administering the proposal evaluation process and for selecting proposal evaluation committee members. Due to the high volume of contract proposals and the time required to participate on proposal evaluation committees, it becomes challenging for OCCR/CDM to maintain a pool of potential evaluation committee members.

Details

Due to the large number of contract proposals, evaluation review committees can be time-consuming and the time required to participate in evaluation committees limits the number of willing participants. OCCR staff from outlying locations are required to meet in a central location for a two-hour introductory meeting. There are at least 2-3 other evaluation committee meetings that are required. OCCR should consider options that minimize the impact on potential evaluation committee members, such as video conferencing. Meeting software is cost-effective and essentially saves money and time by providing access from anywhere that Internet access is available.

Recommendation No. 6

OCCR/CDM should consider options to minimize the time required to participate in proposal evaluation committees, such as offering the orientation meeting utilizing meeting software.

OC Community Resources Management Response:
Concur and in process.

Finding No. 7 – Vacancies in OCCR/Contract Development & Management **(Efficiency/Effectiveness Finding)**

Summary

Vacancies in OCCR/CDM result in CDM staff regularly working past their normal work hours and working on several weekends.

Details

OCCR/Purchasing & Contract Services section is under OCCR's Administrative Services Division. There are six positions in Contract Development & Management with two vacant Administrative Manager positions at the time of fieldwork. One of the four filled positions is the Procurement Manager who oversees all OCCR procurement in addition to the CDM unit human services contracts. According to the Procurement Manager, staff work most weekends in order to keep up with CDM's Master Calendar showing when major items are due in the procurement process. We were informed a recruitment was in process for one position, but that it was a slow process.

Recommendation No. 7

OCCR evaluate departmental recruiting needs and determine recruitment priorities for the vacant positions in Contract Development & Management.

OC Community Resources Management Response:
Concur and in process.



ATTACHMENT A: Report Item Classifications

For purposes of reporting our audit observations and recommendations, we will classify audit report items into three distinct categories:

▶ **Critical Control Weaknesses:**

These are Audit Findings or a combination of Auditing Findings that represent critical exceptions to the audit objective(s) and/or business goals. Such conditions may involve either actual or potential large dollar errors or be of such a nature as to compromise the Department's or County's reputation for integrity. Management is expected to address Critical Control Weaknesses brought to their attention immediately.

▶ **Significant Control Weaknesses:**


These are Audit Findings or a combination of Audit Findings that represent a significant deficiency in the design or operation of internal controls. Significant Control Weaknesses require prompt corrective actions.

▶ **Control Findings:**

These are Audit Findings concerning **internal controls, compliance issues, or efficiency/effectiveness issues** that require management's corrective action to implement or enhance processes and internal controls. Control Findings are expected to be addressed within our follow-up process of six months, but no later than twelve months.



ATTACHMENT B: OC Community Resources Management Responses



ORANGE COUNTY
OC Community Resources
Our Community. Our Commitment.

June 18, 2015

STEVE FRANKS
DIRECTOR
OC COMMUNITY RESOURCES

JENNIFER HAWKINS, DVM
DIRECTOR
OC ANIMAL CARE

KAREN ROPER
DIRECTOR
OC COMMUNITY SERVICES

STACY BLACKWOOD
DIRECTOR
OC PARKS

HELEN FRIED
COUNTY LIBRARIAN
OC PUBLIC LIBRARIES

To: Dr. Peter Hughes, Director
Internal Audit Department

RE: Audit Report #1426

OC Community Resources requested an Internal Control & Compliance Audit of the OCCR procurement process for human services contracts.

Internal Audit identified the following control findings:

Control Finding 1: Need to establish written policies and procedures to supplement Contract Policy Manual.

- Recommendation:** Develop written policies and procedures that supplement the Contract Policy Manual.
- OCCR Response:** Concur. Policies are in development.

Control Finding 2: Evaluation of contractor performance was performed, but not documented.


- Recommendation:** Prepare documentation of contractor performance as required by Contract Policy Manual.
- OCCR Response:** Concur. Evaluation tools and review process are in development.

Control Finding 3: Comparing human services contract Inventories with other County departments not done.

- Recommendation:** Establish a process to annually compare human services contract inventories with other County departments.
- OCCR Response:** Concur. OCCR CDM has initiated the process with the County Human Services Procurement Workgroup in February 2015.

Control Finding 4: Expediter requisition system was not used for all contract requisitions

- Recommendation:** Establish a policy to require all human services contract and modifications be requisitioned using the Expediter system.
- OCCR Response:** Concur. OCCR CDM has initiated change in process, and started drafting a procedure.



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ATTACHMENT B: OC Community Resources Management Responses (continued)

OCCR RESPONSE TO IAD #1426
PAGE 2 OF 2
JUNE 18, 2015

In addition to the four control findings, IAD identified three efficiency and effectiveness findings to improve the Contract Development and Management process.

Efficiency/Effectiveness Finding 5: Participation in County Human Services Procurement work group.

- Recommendation: OCCR CDM continue its participation in the County Human Services Procurement Workgroup.
- OCCR Response: Concur and fully implemented.

Efficiency/Effectiveness Finding 6: Participation on proposal evaluation committees can be time consuming.

- Recommendation: Explore options to minimize the time needed to participate on the proposal evaluation committees.
- OCCR Response: Concur and in process.

Efficiency/Effectiveness Finding 7: Vacancies in the CDM unit result in staff working excess hours an on most weekends.

- Recommendation: Evaluate departmental recruiting need to determine recruitment priorities for vacancies in OCCR/CDM.
- OCCR Response: Concur and in process.

OCCR appreciates the review of the human services contract process conducted by Michael Dean, Audit Manager under the direction of Michael Goodwin, Assistant Director/Senior Audit Manager.

Sincerely,



Steve Franks, Director
OC Community Resources

6/18/15

Date

SAF:tlb