



Orange County Auditor-Controller Internal Audit



First and Final Close-Out
Follow-Up Internal Control Audit:
Auditor-Controller
Procurement & Contract Administration

As of March 14, 2018

Audit Number 1735-F (Reference 1522-F1)
Report Date: April 30, 2018



O R A N G E C O U N T Y
AUDITOR-CONTROLLER
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ERIC H. WOOLERY, CPA
AUDITOR-CONTROLLER



Transmittal Letter

Audit No. 1735-F
(Reference 1522-F1)

April 30, 2018

TO: Eric H. Woolery, CPA
Auditor-Controller

SUBJECT: First and Final Close-Out Follow-Up Internal Control Audit:
Auditor-Controller Procurement & Contract Administration,
Original Audit No. 1522, Issued September 11, 2017

We have completed our First Follow-Up Audit: Internal Control Audit: Auditor-Controller Procurement & Contract Administration as of March 14, 2018. Our final report is attached for your review.

An **Audit Status Report** is submitted quarterly to the Audit Oversight Committee (AOC) and to the Board of Supervisors (BOS) detailing any critical and significant audit findings released in reports during the prior quarter and the implementation status of audit recommendations as disclosed by our Follow-Up Audits. Accordingly, the results of this Follow-Up Audit will be included in future status reports to the AOC and BOS.

Scott Suzuki, CPA, Director
Auditor-Controller Internal Audit Division

Attachments

Other recipients of this report:

- Members, Board of Supervisors
- Members, Audit Oversight Committee
- Frank Kim, County Executive Officer
- Maribel Garcia, Administrative Services Unit Manager, Auditor-Controller
- Foreperson, Grand Jury
- Robin Stieler, Clerk of the Board of Supervisors
- Macias Gini & O'Connell LLP, County External Auditor



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Internal Auditor's Report

**Audit No. 1735-F
(Reference 1522-F1)**

April 30, 2018

TO: Eric H. Woolery, CPA
Auditor-Controller

FROM: Scott Suzuki, CPA
Auditor-Controller Internal Audit Division

SUBJECT: First and Final Close-Out Follow-up Internal Control Audit:
Auditor-Controller Procurement & Contract Administration, Original Audit 1522

SCOPE

We have completed a First and Final Close-Out Follow-Up Internal Control Audit: Auditor-Controller Procurement & Contract Administration. Our audit was limited to reviewing actions taken as of March 14, 2018 to implement the **four (4) recommendations** from our original audit issued on September 11, 2017.

BACKGROUND

We completed an Internal Control Audit over Auditor Controller Procurement & Contract Administration to assist management in evaluating and enhancing internal controls, and effectiveness and efficiency of the selected areas under audit. The original audit identified **four (4) Control Findings**.

RESULTS

Our First Follow-Up Audit found that the Auditor-Controller **implemented four (4) recommendations** from the original audit. Because the recommendations were implemented, **this report represents the final close-out of the original audit**.

Based on our First Follow-Up Audit, the following is the implementation status of the four (4) original recommendations:

Finding No. 1 – Justification for a Sole Source Contract was Inadequate (Control Finding)

Recommendation No. 1: We recommend the A-C establish a policy to require that stronger justifications be provided to support a sole source contract and all supporting documents, including pricing, should be maintained in the contract file.

Current Status and Planned Action: **Implemented.** The A-C implemented a Sole Source Checklist (Checklist) to ensure compliance with the sole source process. We found that the Checklist is an effective tool as it includes a section to ensure strong and convincing justifications, and price justifications are documented. Because of the actions taken by the A-C, we consider this recommendation implemented.



Internal Auditor's Report

Finding No. 2 – One Contract was Overrun (Control Finding)

Recommendation No. 2: We recommend the A-C enhance its contract payment process to review or validate contractor's information on the invoice and to communicate timely with the contractor if there is any discrepancy.

Current Status: **Implemented.** The A-C implemented an Invoice Review Checklist (Checklist) to enhance the contract payment process. We found the Checklist includes steps to verify any additional information on the invoice and promptly notify the vendor of any discrepancies. While this Checklist is not intended to be completed for each payment, it is used as a training tool to remind staff when processing a contract payment. Because of actions taken by the A-C, we consider this recommendation implemented.

Finding No. 3 – Inadequate Training for New Contract Administrators (Control Finding)

Recommendation No. 3: We recommend the A-C establish an internal training program for new contract administrators who are involved in planning and requesting a purchase for the division to better assess the needs for the division, work closely with Administrative Services, and improve contractor monitoring to prevent contract overruns.

Current Status: **Implemented.** The A-C has established a training program for new contract administrators to ensure contracts are not overrun. Contract Administrators are provided training on the new Contract Usage Procedure. Because of actions taken by the A-C, we consider this recommendation implemented.

Finding No. 4 – Sole Source Justification Approved After Contract Effective Date (Control Finding)

Recommendation No. 4: We recommend the A-C enhance procedures to ensure sole source justification approval is obtained prior to entering into a contractual agreement with a sole source vendor.

Current Status: **Implemented.** The A-C implemented a Sole Source Checklist (Checklist) to ensure compliance with the sole source process. The checklist contains a reminder that justification approval is required prior to entering into a sole source contract. Because of actions taken by the A-C, we consider this recommendation implemented.

We appreciate the assistance extended to us by the personnel of the Auditor-Controller during our Follow-Up Audit. If you have any questions, please contact me directly at 714-834-5509.



Internal Auditor's Report

ATTACHMENT A: Follow-Up Audit Implementation Status

For purposes of reporting the implementation status of our audit recommendations, we utilize four distinct categories:

Implemented	In Process	Not Implemented	Closed
The department has implemented our recommendation in all respects as verified by the follow-up audit. No further follow-up is required.	The department is in the process of implementing our recommendation. Additional follow-up may be required.	The department has taken no action to implement our recommendation. Additional follow-up may be required.	Circumstances have changed surrounding our original finding/ recommendation that: (1) make it no longer applicable or (2) the department has implemented and will only implement a portion of our recommendation. No further follow-up is required.
