



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

**AUDITOR-CONTROLLER**

I N T E R N A L A U D I T

# **FIRST AND FINAL CLOSE-OUT FOLLOW-UP AUDIT:**

## **OC COMMUNITY RESOURCES PROCUREMENT PROCESS FOR HUMAN SERVICES CONTRACTS**



**Audit Number 1426-F1 (Reference 1634)  
Report Date: August 31, 2016**



O R A N G E C O U N T Y  
**AUDITOR-CONTROLLER**  
I N T E R N A L A U D I T

**Eric H. Woolery, CPA**  
**Orange County Auditor-Controller**

<b>Toni Smart, CPA</b>	<b>Director, Internal Audit</b>
<b>Scott Suzuki, CPA, CIA, CISA</b>	<b>Assistant Audit Director</b>
<b>Michael Dean, CPA, CIA, CISA</b>	<b>Audit Manager II</b>

**12 Civic Center Plaza, Room 200**  
**Santa Ana, CA 92701**

Auditor-Controller Web Site  
[www.ac.ocgov.com](http://www.ac.ocgov.com)



**ERIC H. WOOLERY, CPA**  
AUDITOR-CONTROLLER



**Transmittal Letter**

**Audit No. 1426-F1**  
**(Reference 1634)**

**August 31, 2016**

**TO:** Steve Franks, Director  
OC Community Resources

**SUBJECT:** First and **Final Close-Out** Follow-Up Audit: OC Community Resources  
Procurement Process for Human Services Contracts, Original Audit No. 1426,  
Issued June 22, 2015

We have completed our First and Final Close-Out Follow-Up Audit of OC Community Resources Procurement Process for Human Services Contracts as of June 30, 2016. Our final report is attached for your review.

I submit an **Audit Status Report** quarterly to the Audit Oversight Committee (AOC) and a monthly report to the Board of Supervisors (BOS) where I detail any critical 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 Follow-Up Audit will be included in future status reports to the AOC and BOS.

A handwritten signature in blue ink, appearing to read "Toni Smart".

Toni Smart, CPA, Director  
Auditor-Controller Internal Audit Division

**Attachments**

Other recipients of this report:

- Members, Board of Supervisors
- Members, Audit Oversight Committee
- Eric Woolery, Auditor-Controller
- Frank Kim, County Executive Officer
- Mark Denny, Chief Operating Officer
- Lilly Simmering, Deputy Chief Operating Officer
- Thea Bullock, Compliance Director, OC Community Resources
- Brian Rayburn, Business Office Manager, OC Community Resources
- Lydia Garcia, Procurement Manager, OC Community Resources
- Judi Crumly, Contracts Manager, OC Community Resources
- Foreperson, Grand Jury
- Robin Stieler, Clerk of the Board of Supervisors
- Macias Gini & O'Connell LLP, County External Auditor



# Table of Contents

---

***First and Final Close-Out Follow-Up Audit:  
OC Community Resources Procurement Process for  
Human Services Contracts  
Audit No. 1426-F1 (Reference 1634)***

As of June 30, 2016

<b>Transmittal Letter</b>	<b>i</b>
<b>Internal Auditor's Report</b>	
<b>SCOPE</b>	<b>1</b>
<b>BACKGROUND</b>	<b>1</b>
<b>RESULTS</b>	<b>1</b>

---



# Internal Auditor's Report

---

**Audit No. 1426-F1  
(Reference 1634)**

**August 31, 2016**

TO: Steve Franks, Director  
OC Community Resources

FROM: Toni Smart, CPA, Director  
Auditor-Controller Internal Audit Division

SUBJECT: First and **Final Close-Out** Follow-Up Audit:of OC Community Resources – Procurement Process for Human Services Contracts, Original Audit No. 1426, Issued June 22, 2015

## SCOPE

We completed a First and Final Close-Out Follow-Up Audit of OC Community Resources (OCCR) – Procurement Process for Human Services Contracts. Our audit was limited to reviewing actions taken as of June 30, 2016, to implement the **seven (7) recommendations** from our original audit.

## BACKGROUND

In the original audit, at the request of OCCR, we audited processes and controls over the procurement of human services contracts to ensure OCCR/Contract Development & Management (CDM) was complying with requirements in the County's Contract Policy Manual, and to determine if internal controls and processes promote sound business practices. The audit found OCCR had 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 original audit identified **four (4) Control Findings** and **three (3) efficiency/effectiveness findings**.

## RESULTS

Our First Follow-Up Audit found that OCCR **implemented the seven (7) recommendations** from the original audit. Because the seven (7) 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 seven (7) original recommendations:

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

#### **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.



# Internal Auditor's Report

---

**Current Status: Implemented.** OCCR recently created a detailed procedure for *Requests for Contractual Services – Human Services Contracts*. The procedure includes key elements regarding Human Services contracting, such as requisitions, evaluating contractor performance, workflow process, RFP timelines, evaluation committees, Agenda Status Reports (ASR) & Minute Orders, insurance checklists, master agreements/delivery orders, and reimbursement policy.

Since OCCR has created key procedures for Human Services contracting, we consider this recommendation implemented.

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

### **Recommendation No. 2**

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

**Current Status: Implemented.** OCCR's revised *Requests for Contractual Services – Human Services Contracts* policy, Section VI, B, 14 states, "requests for contractual services must include all pertinent documents, depending on the type of request being made. These may include the following...documentation of contractor's performance."

According to OCCR management, this is no longer an issue with program staff because they would return any request for a renewal or extension if documentation of contractor's performance was not included.

We reviewed two recent contract renewals and noted both renewals included a "Monitoring Summary Report", which was created by OCCR/CDM during the original audit. This form was completed by program staff and analyzed such criteria as quality, responsiveness, technical, cost, and management. It also includes a certification by the Program Manager that "the contractor is eligible for renewal/extension of contract."

Since OCCR ensures program staff document the satisfactory performance of contractors prior to recommending renewal or extension of an existing contract, we consider this recommendation implemented.

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

### **Recommendation No. 3**

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

**Current Status: Implemented.** We observed agendas for the January 2016 and March 2016 Human Services Procurement Workgroup and noted "contract inventory – sharing with other County departments" was agendized and discussed. We verified that OCCR shared its inventory with the group and OCCR received contract inventories from the Health Care Agency and the Social Services Agency. Therefore, we consider this recommendation implemented.



# Internal Auditor's Report

---

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

### Recommendation No. 4

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

Current Status: **Implemented.** We reviewed two recent no-cost amendments from the FY 15/16 contracts. Both no-cost amendments were appropriately requested by Program staff via OC Expediter. Therefore, we consider this recommendation implemented.

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

### Recommendation No. 5

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

Current Status: **Implemented.** OCCR continues to send representatives to the Human Services Procurement Workgroup meetings. They also share ideas and information with other departments at monthly Deputized Purchasing Agent meetings.

We obtained agendas for the January and March 2016 workgroup meetings. OCCR representatives attended both meetings where Human Services contracting issues were discussed. Therefore, we consider this recommendation implemented.

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

### 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.

Current Status: **Implemented.** Since January 2016, OCCR has been using the Citrix ShareFile evaluation tool. This tool has significantly reduced the amount of administrative time and resources related to processing and evaluating RFPs. Prior to implementation of Citrix, two evaluation committee meetings were required for each contract and Citrix has allowed OCCR to reduce the number of evaluation committee meetings to one. All documents are processed through DocuSign, eliminating travel time to transport hardcopy documents. In addition, virtual bidders conferences are now conducted reducing the amount of time required to conduct the conferences. Since OCCR has taken steps to minimize the time required to participate in proposal evaluation committees, we consider this recommendation implemented.

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

### Recommendation No. 7

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



# Internal Auditor's Report

---

Current Status: **Implemented.** CDM was reorganized into two units: (1) Human Services and (2) Contract Management and Cal-Card Administration. CDM now has four staff in the Human Services section; however, one currently works part-time on Human Services contracting activities. OCCR management conducted a staffing analysis of CDM for 2015 and determined 0.7 hours of overtime are worked per CDM manager per pay period. Based on that analysis, new positions were not added to CDM. A new manager was placed into the Contract Management and Cal-Card Administration section and will be assisting with Human Services contracting tasks.

Since OCCR has evaluated staffing needs for CDM, we consider this recommendation implemented.

We appreciate the assistance extended to us by the personnel of OCCR during our Follow-Up Audit. If you have any questions, please contact me directly at 714-834-5442 or Scott Suzuki, Assistant Director at 714-834-5509.