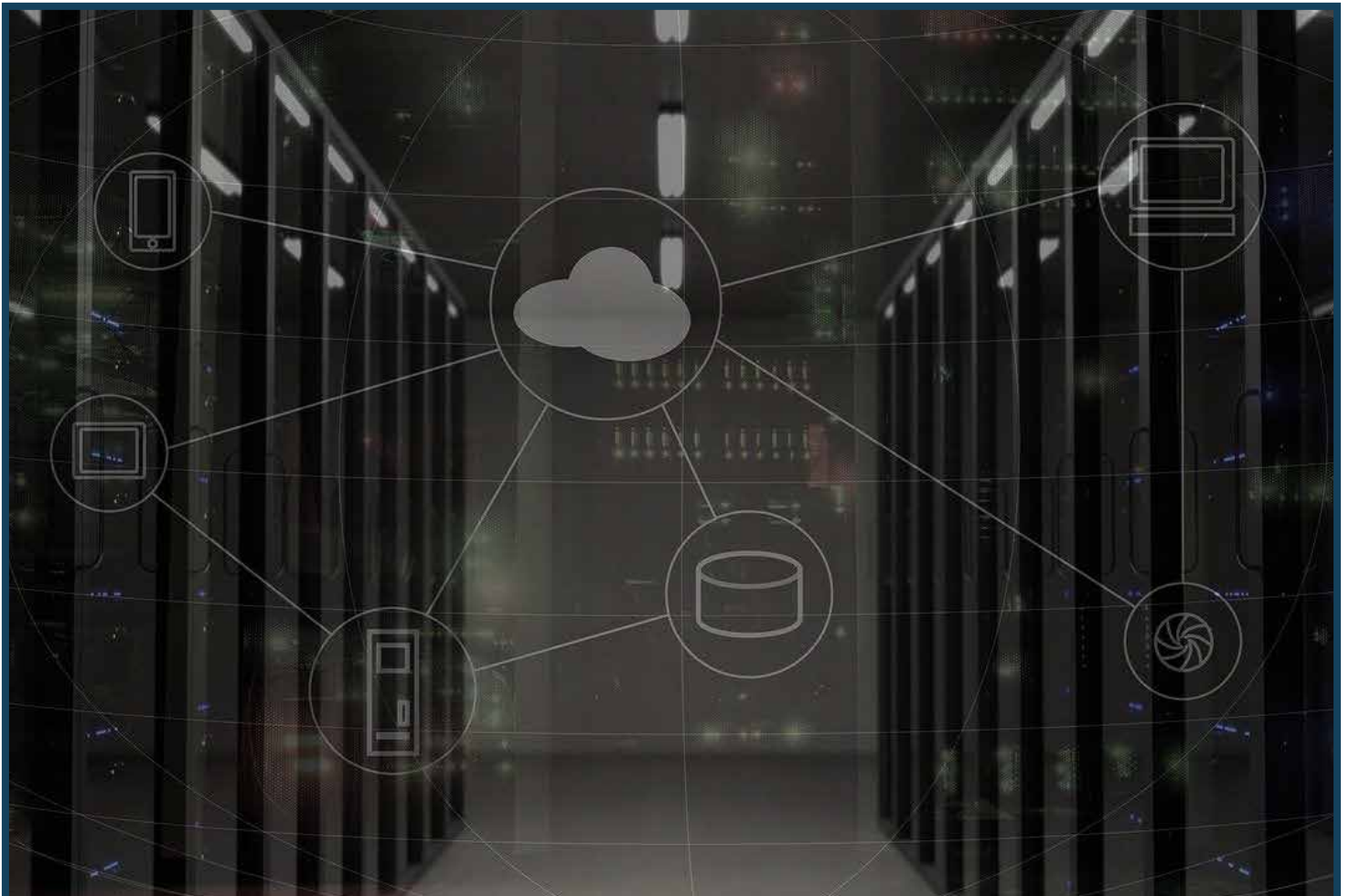




# INTERNAL AUDIT DEPARTMENT



**Internal Control Audit:  
OC Information Technology Contract  
Administration over Science Applications  
International Corporation for  
Data Center Services**

**For the Seven-Month Period Ended  
August 31, 2020**

**Audit No. 1624  
Report Date: February 22, 2021**

## Number of Recommendations



**Critical Control  
Weaknesses**



**Significant Control  
Weaknesses**



**Control Findings**

## OC Board of Supervisors

CHAIRMAN ANDREW DO  
1st DISTRICT

VICE CHAIRMAN DOUG CHAFFEE  
4th DISTRICT

VACANT  
2nd DISTRICT

SUPERVISOR DONALD P. WAGNER  
3rd DISTRICT

SUPERVISOR LISA A. BARTLETT  
5th DISTRICT






# INTERNAL AUDIT DEPARTMENT

Internal Control Audit:  
 OC Information Technology Contract Administration over Science Applications  
 International Corporation for Data Center Services

February 22, 2021

## AUDIT HIGHLIGHTS

SCOPE OF WORK	Perform an Internal Control Audit of OC Information Technology (OCIT) administration over the County's Data Center contract with Science Applications International Corporation (SAIC) for the seven-month period ended August 31, 2020.
RESULTS	<ul style="list-style-type: none"> <li>• We concluded internal control for OCIT's contract administration over SAIC for certain IT services is generally effective to ensure:           <ul style="list-style-type: none"> <li>○ Contract amendments were properly processed.</li> <li>○ OCIT policies listed in the contract were properly reviewed and approved.</li> <li>○ Service Level Requirements (SLR) reviews were properly conducted and penalties properly assessed.</li> </ul> </li> <li>• We concluded that the contract administration process is generally efficient.</li> </ul>
RISKS IDENTIFIED	Not applicable as there were no findings requiring corrective action.
NUMBER OF RECOMMENDATIONS	Our audit did not reveal any opportunities for enhancing internal control related to the business process and scope reviewed.
	CRITICAL CONTROL WEAKNESSES
	SIGNIFICANT CONTROL WEAKNESSES
	CONTROL FINDINGS
<div style="border: 1px solid black; height: 113px; width: 100%;"></div>	
<p>Report suspected fraud, or misuse of County resources by vendors, contractors, or County employees to 714.834.3608</p>	



## INTERNAL AUDIT DEPARTMENT

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Audit No. 1624

February 22, 2021

To: Joel Golub  
Chief Information Officer

From: Aggie Alonso, CPA, CIA, CRMA  
Internal Audit Department Director

Subject: Internal Control Audit: OC Information Technology Contract Administration over  
Science Applications International Corporation for Data Center Services

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We have completed an Internal Control Audit of OC Information Technology's (OCIT) administration over the Science Applications International Corporation (SAIC) contract for data center services for the seven-month period ended August 31, 2020. Details of our results immediately follow this letter. Additional information including background and our objectives, scope, and methodology are included in Appendix A.

We will include the results of this audit in a future status report submitted quarterly to the Audit Oversight Committee and the Board of Supervisors. In addition, we will request your department complete a Customer Survey of Audit Services, which you will receive shortly after the distribution of our final report.

We appreciate the courtesy extended to us by OCIT's personnel during our audit. If you have any questions regarding our audit, please contact me at 714.834.5442 or Assistant Director Scott Suzuki at 714.834.5509.

### Attachments

#### Other recipients of this report:

- Members, Board of Supervisors
- Members, Audit Oversight Committee
- County Executive Office Distribution
- Foreperson, Grand Jury
- Robin Stieler, Clerk of the Board of Supervisors
- Eide Bailly LLP, County External Auditor

## RESULTS

### BUSINESS PROCESS & INTERNAL CONTROL STRENGTHS

Business process and internal control strengths noted during our audit include:

- ✓ OCIT follows County policy and procedures (P&Ps) and internally developed desk procedures to ensure contract amendments are properly processed.
- ✓ The Managed Services Contracts & Compliance Manager maintains a list of all contract documents, tracks their status, and collaborates with team members for review or updates to ensure proper approvals are obtained and to facilitate the amendment process.
- ✓ Various levels of OCIT staff work collaboratively with vendor staff to review all Service Level Requirements (SLR) on a regular basis to ensure satisfactory performance and compliance with the contract.
- ✓ OCIT developed and included in the contract a robust list of P&Ps to delineate responsibilities and ensure SAIC adheres to contract terms when providing services. These P&Ps are reviewed by OCIT management on an annual basis and updated as needed.
- ✓ OCIT staff perform real-time monitoring of operations through daily communications, walk-throughs, and in-person dialogue to ensure commitments are being met.
- ✓ SLRs are established with service measures, performance targets, minimum performance requirements, and fee reduction weighting factors. Service items are re-weighted periodically and adjusted as necessary. These specifications ensure SLRs are clear and effective.
- ✓ Contract SLRs are reviewed using vendor performance reports on a monthly basis by Service Delivery Managers, subject matter experts, administrative staff including the OCIT Director of Administration, and the Assistant Chief Information Officer to ensure the vendor is performing as expected, and that adjustments to invoices are made as required. OCIT staff will also verify performance measures independently, as appropriate.
- ✓ The Operational Readiness Team consisting of OCIT and SAIC staff meet regularly to discuss progress of SAIC managed projects. Details are compiled in a report and presented during regularly scheduled bi-monthly meetings to ensure projects are on track.
- ✓ Invoices are reviewed collaboratively between several OCIT teams (up to the assistant CIO) and SAIC staff on a monthly basis to ensure charges are appropriate.
- ✓ The OCIT Finance & Budget Team maintains an accounting spreadsheet that tracks all monthly invoice payments to ensure accuracy.



# INTERNAL AUDIT DEPARTMENT

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<b>BUSINESS PROCESS &amp; INTERNAL CONTROL STRENGTHS (CON'T)</b>	✓ Service Organization Controls (SOC) reports are obtained from the vendor as necessary and kept on file to provide assurance over SAIC's controls for disaster recovery services.
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<b>FINDINGS</b>	No findings were identified in this audit.
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<b>AUDIT TEAM</b>	Scott Suzuki, CPA, CIA, CISA, CFE Michael Dean, CPA, CIA, CISA Gianne Morgan, CIA Zan Zaman, CPA, CIA, CISA Mari Elias, DPA	Assistant Director Senior Audit Manager Audit Manager Audit Manager Administrative Services Manager
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# INTERNAL AUDIT DEPARTMENT

## APPENDIX A: ADDITIONAL INFORMATION

<b>OBJECTIVES</b>	<p>Our audit objectives were to:</p> <ol style="list-style-type: none"><li>1. Assess internal control over OCIT's contract administration of the County's Data Center contract with SAIC to ensure:<ol style="list-style-type: none"><li>a. Contract amendments were properly processed.</li><li>b. County policies listed in the contract were properly reviewed and approved.</li><li>c. Service Level Requirements (SLR) reviews were properly conducted and penalties properly assessed.</li></ol></li><li>2. Review the contract administration process for efficiency.</li></ol>
<b>SCOPE &amp; METHODOLOGY</b>	<p>Our audit scope was limited to internal control over OCIT's contract administration of the County's Data Center portion of the Data Center Operations, Desktop Support and Applications Services, and Service Desk (DDAS) contract with SAIC for the seven-month period ended August 31, 2020. Our methodology included inquiry, observation, examination of documentation, and testing of relevant transactions.</p>
<b>EXCLUSIONS</b>	<p>Our audit scope did not include a review of controls over desktop support, application development &amp; maintenance services, and service desk services statements of work from the DDAS contract. In addition, we did not review the Managed Services Network, Voice, and Security (NVS) contract. Finally, we did not review billing of services to County departments.</p>
<b>PRIOR AUDIT COVERAGE</b>	<p>We have not issued any audit reports for OCIT with a similar scope within the last ten years.</p>
<b>BACKGROUND</b>	<p>OCIT, a division of the County Executive Office, provides voice, network, internet access, data center services, and applications development to County departments and agencies.</p> <p>On May 14, 2013, the Board of Supervisors (Board) approved Master Services Agreement (MSA) No. MA-017-13011864 between County of Orange and Science Applications International Corporation (SAIC) for Data Center Operations, Desktop Support and Applications Services, and Service Desk (DDAS). As of August 31, 2020, the MSA has had 15 Amendments. Amendment No. 15 was approved by the Board on October 8, 2019 and extended the term of the contract to June 30, 2022. The cumulative contract value is approximately <b>\$174 million</b> with a total budgeted amount for recurring service fees of approximately <b>\$168 million</b>.</p> <p>Administration over the County's contracts with SAIC is the responsibility of OCIT's vendor management team under Administrative Services.</p>





# INTERNAL AUDIT DEPARTMENT

## BACKGROUND (CON'T)

The DDAS contract with SAIC encompasses four main service areas as described below:

Service Areas	Description	Recurring Fees	% of Total
OC Data Center	Server support, storage, IBM mainframe, service, email management, etc.	\$82,734,964	49%
Desktop	SAIC staff provide in-person or over the phone troubleshooting for various issues	\$26,772,446	16%
Service Desk	24/7/365 call center to report technical and various issues	\$11,462,205	7%
Application Development & Maintenance	Resources bought from SAIC to help develop and maintain existing County applications; human resources	\$47,328,061	28%
<b>Total Fees Budgeted</b>		<b>\$168,297,676</b>	<b>100%</b>



# INTERNAL AUDIT DEPARTMENT

<b>PURPOSE &amp; AUTHORITY</b>	We performed this audit in accordance with the FY 2019-20 Audit Plan and Risk Assessment approved by the Audit Oversight Committee (AOC) and Board of Supervisors (Board).
<b>PROFESSIONAL STANDARDS</b>	Our audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing issued by the International Internal Audit Standards Board.
<b>FOLLOW-UP PROCESS</b>	<p>In accordance with professional standards, the Internal Audit Department has a process to follow-up on its recommendations. A first follow-up audit will generally begin six months after release of the initial report.</p> <p>The AOC and Board expect that audit recommendations will typically be implemented within six months or sooner for significant and higher risk issues. A second follow-up audit will generally begin six months after release of the first follow-up audit report, by which time all audit recommendations are expected to be implemented. Any audit recommendations not implemented after the second follow-up audit will be brought to the attention of the AOC at its next scheduled meeting.</p> <p>This audit does not contain any recommendations; therefore, a follow-up audit will not be performed.</p>
<b>MANAGEMENT'S RESPONSIBILITY FOR INTERNAL CONTROL</b>	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 internal control is the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control – Integrated Framework. Our Internal Control Audit enhances and complements but does not substitute for department management's continuing emphasis on control activities and monitoring of control risks.
<b>INTERNAL CONTROL LIMITATIONS</b>	Because of inherent limitations in any system of internal control, 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 the department's operating procedures, accounting practices, and compliance with County policy.

