

Internal Audit Department

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

CAPS⁺ AUDIT ALERT NO. 2

The purpose of the CAPS⁺ Audit Alert is to promptly bring to the CAPS Steering Committee's attention important potential issues for their immediate assessment and if necessary, corrective action. The process incorporates an accelerated management response timeline to ensure the timely completion and dissemination of audit issues so as to not impede progress of the CAPS⁺ Implementation Project.

AUDIT NO: 2764-B
DATE: APRIL 3, 2008

Audit Director: [Peter Hughes, Ph.D., CPA](#)
Deputy Director: [Eli Littner, CPA, CIA](#)
Sr. Audit Manager: [Autumn McKinney, CPA, CIA](#)



Internal Audit Department

Serving the OC Board of Supervisors since 1995

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Internal Audit Department

Providing Facts and Perspectives Countywide

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OC Fraud Hotline (714) 834-3608



Transmittal Letter



AUDIT NO. 2764-B

April 3, 2008

TO: CAPS Steering Committee:
David Sundstrom, Auditor-Controller, Chair
Bob Franz, Chief Financial Officer, Vice-Chair
Satish Ajmani, Chief Information Officer
Carl Crown, Human Resources Director
Shaun Skelly, Auditor-Controller Senior
Director of Accounting and Technology

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

SUBJECT: CAPS⁺ Audit Alert No. 2 – IV&V Contract

Attached is our **CAPS⁺ Audit Alert No. 2** for the CAPS⁺ Implementation Project.

Each month I submit an **Audit Status Report** to the BOS. Accordingly, the results of this CAPS⁺ Audit Alert will be included in a future status report to the BOS.

Unlike our traditional audit reports, we will not perform a follow-up audit for this CAPS⁺ Audit Alert in six months. However, depending on the materiality, any recommendations not implemented could be included in a future CAPS⁺ Audit Alert.

We will request the CAPS Steering Committee to complete a **Customer Survey** of Audit Services. You will receive the survey shortly after the distribution of our final CAPS Audit Alert.

As always, the Internal Audit Department is available to partner with your staff so that they can successfully address or mitigate difficult audit issues. Please feel free to call me should you wish to discuss any aspect of our CAPS⁺ Potential Issue Alert.

ATTACHMENTS

Other recipients of this CAPS⁺ Audit Alert are listed on page 3.

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CAPS+ AUDIT ALERT NO. 2

AUDIT No. 2764-B

APRIL 3, 2008

TO: CAPS Steering Committee

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

SUBJECT: CAPS+ Audit Alert No. 2

CAPS+ Audit Alert

The purpose of a CAPS+ Audit Alert is respond to the CAPS Steering Committee's request to quickly bring to their attention important potential issues for their assessment and if necessary, corrective action.

Because of the importance of the CAPS+ Implementation Project's schedule, timely feedback is critical. As such, this CAPS+ Audit Alert is not subject to the same rigor and formality of a traditional report in that we have not fully developed the issues and have not verified the accuracy of all information.

The CAPS+ Audit Alerts have an accelerated management response timeline to ensure the timely dissemination of audit issues so as to not impede progress of the CAPS+ Implementation Project.

As described in our MOU dated August 28, 2007, the Internal Audit Department's role on the CAPS+ Implementation Project is reviewing and providing feedback on the internal control plans (ICPs) that will be developed by the CAPS+ Project Implementation team for the new system.

Prior to the development of our MOU, we researched opportunities for the CAPS Steering Committee to receive independent feedback on the CAPS+ Implementation Project as a whole that would complement our focused role of reviewing and providing feedback on internal control documentation. Our research resulted in the determination that services of an independent verification and validation (IV&V) firm were warranted for this project.

The role of the IV&V firm should be to provide regular independent assessments of whether the project is on track (budget and timeframes), whether the defined requirements and deliverables for the project have been fulfilled, and whether the system performs as intended. The IV&V firm should also assess the change management and testing processes, as well as review the overall proposed policies and procedures for the CAPS+ system.

At the May 11, 2007 CAPS Steering Committee meeting, we recommended that an IV&V firm be hired as a risk mitigation activity and as an industry best practice for an implementation project of the CAPS+ size. The CAPS Steering Committee agreed with our recommendation and included monies for an IV&V firm in the project budget. On July 24, 2007, Board of Supervisors approved the CAPS+ Implementation Project. It is our understanding this included \$500,000 budgeted for an IV&V contract.

The CAPS Steering Committee assigned responsibility for contracting with an IV&V firm to the CAPS Program Management Office (PMO). To facilitate the contract development, Internal Audit provided sample IV&V contracts and scope of work documents to the CAPS PMO. We also reviewed and provided feedback on the scope of work developed by the CAPS PMO.



Internal Audit has been following the progress of the IV&V contract and we are communicating the following issue/recommendation for your assessment and if necessary, corrective action as further described below.

Issue No. 2 - Status of IV&V Contract:

At the February 20, 2008 CAPS Steering Committee meeting, the CAPS Program Management Office (PMO) informed the Committee that none of the four IV&V firms that it sent proposals to had responded. The CAPS PMO was seeking further direction from the Committee.

The CAPS Steering Committee directed the PMO to immediately pursue other IV&V firms on the State of CA master contract list. The Committee also discussed sole source options. The Chair of the Committee stated the importance of quickly hiring an IV&V firm as the CAPS+ Implementation Project is about one-third of the way completed. The Chair also stated that if necessary, a mid-month emergency CAPS Steering Committee meeting should be held so as not to delay progress.

Internal Audit agrees with the Committee's assessment that hiring an IV&V is an urgent priority considering the CAPS+ Implementation Project's timeline. In the event other vendors on the State of CA master contract list are not viable, the Committee should consider immediately pursuing with CEO/Procurement whether a sole source contract is justified and appropriate.

As the CAPS Steering Committee is well aware of the urgency for contracting with an IV&V firm and has directed the CAPS PMO to make it a priority, the purpose of this Audit Alert is to primarily communicate Internal Audit's position in writing and to secondarily provide written support for pursuing further with CEO/Procurement a sole source contract if one is determined to be necessary.

Recommendation No. 1: We recommend that the CAPS Steering Committee continue to make the IV&V contract a high priority and ensure that an IV&V firm is engaged as soon as possible.

CAPS Steering Committee Response: Concur – see excerpt below and full response in Attachment A

In conjunction with CEO/Purchasing we have determined that the County has met the requirements inherent in using the State's competitive bid list and can now directly engage a firm on the list. We are working with a listed vendor and expect to complete negotiations within the next two to three weeks. Once negotiations are complete we will endeavor to bring the proposed contract before the Board on May 6, 2008 with an implementation date shortly thereafter.



Acknowledgment

We appreciate the courtesy and cooperation extended to us by the personnel of the CAPS Program Management Office and the CAPS Steering Committee. If you have any questions regarding our CAPS⁺ Audit Alert, please call me directly at 834-5475 or Eli Littner, Deputy Director at 834-5899, or Autumn McKinney, Senior Audit Manager at (714) 834-6106.

Distribution Pursuant to Audit Oversight Committee Procedure No. 1:

Members, Board of Supervisors
Members, Audit Oversight Committee
Thomas G. Mauk, County Executive Officer
Steve Rodermund, Manager, CAPS Program Management Office

CAPS⁺ Project Advisory Committee:

Bill Castro, Director, Auditor-Controller/Satellite Operations
Phil Daigneau, Director, Auditor-Controller/Information Technology
Frank Kim, Director, CEO/Budget
Jan Grimes, Director, Auditor-Controller/Central Operations
Jim Pierce, Chief Technology Officer, CEO/Information Technology
Ron Vienna, County Purchasing Agent, CEO/Purchasing

CAPS⁺ Project Management Team:

Larry Chanda, Project Manager
Denise Steckler, Assistant Project Manager
John Humann, CEO/Purchasing, Assistant Project Manager
Bill Malohn, Auditor-Controller, Assistant Project Manager
Cecilia Novella, Project Communications Manager
Sreasha Rao, CEO/Information Technology, Assistant Project Manager
Mitch Tevlin, CEO/Budget, Assistant Project Manager

Vendors:

Yvette Turner, CGI, Assistant Project Manager
Jeff McDonald, Aeris Enterprises, Project Quality Assurance & Risk Management
Michael Muldrow, CGI, Assistant Project Manager
Linh Phan, ACS, Assistant Project Manager
Rick Roberts, GCAP, Transition Manager
Elias Thuo, Saile Technologies, Disengagement Project Manager



ATTACHMENT A: Auditor-Controller Management Response



AUDITOR-CONTROLLER

Memorandum

DATE 4/01/08

TO: Dr. Peter Hughes, Director, Internal Audit Department

FROM: Steve Rodermund, CAPS Program Manager

SUBJECT: Response to Internal Audit CAPS+ Audit Alert No. 2 –IV & V Contract

RECEIVED
INTERNAL AUDIT DEPARTMENT
2008 APR - 2 AM 10: 29

Dear Dr. Hughes,

On February 26, 2008 your department issued Audit Alert No. 2 for the CAPS+ Implementation Project. The main point of this Audit Alert was to note the need for an IV&V contractor to provide regular independent assessment of the CAPS+ project. Your Alert recommended that the CAPS Steering Committee continue to make the IV&V contract a high priority and ensure that an IV&V firm is engaged as soon as possible.

The CAPS Steering Committee has stated that engaging an IV&V firm is a high priority and needs to be done as soon as possible. As their Program Manager, they directed me to proceed with all possible haste to this end.

In conjunction with CEO/Purchasing we have determined that the County has met the requirements inherent in using the State's competitive bid list and can now directly engage a firm on the list. We are working with a listed vendor and expect to complete negotiations within the next two to three weeks. Once negotiations are complete we will endeavor to bring the proposed contract before the Board on May 6, 2008 with an implementation date shortly thereafter.

Thank you for identifying this issue and providing us the opportunity to respond. If I can be of further assistance, please call me at (714) 834-2636.

Cc: CAPS Steering Committee
Ron Vienna, CEO/Purchasing