



INTERNAL AUDIT DEPARTMENT



**First & Final Close-Out
Follow-Up Internal Control Audit:
County Executive Office/
County Procurement Office
Procurement Processes**

As of October 31, 2018

**Audit No. 1735-E (Reference 1521-F1)
Report Date: March 5, 2019**

Recommendation Status

10

Implemented

0

In Process

0

Not Implemented

0

Closed

OC Board of Supervisors

Chairwoman Lisa Bartlett
5th District

Vice Chair Michelle Steel
2nd District

Supervisor Andrew Do
1st District

Vacant
3rd District

Supervisor Doug Chaffee
4th District



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Audit No. 1735-E
(Reference 1521-F1)

March 5, 2019

To: Frank Kim
County Executive Officer

From: Scott Suzuki, CPA, Assistant Director *S Suzuki*
Internal Audit Department

Subject: First & Final Close-Out Follow-Up Internal Control Audit:
County Executive Office/County Procurement Office Procurement Processes

We have completed a follow-up audit of the County Executive Office/County Procurement Office's (CPO) Procurement Processes as of October 31, 2018, original Audit No. 1521, dated April 30, 2018. Details of our results immediately follow this letter. Additional information including background and our scope are included in Appendix A.

Our First Follow-Up Audit found CPO implemented the ten (10) recommendations from the original audit. Because the recommendations have been implemented, this report represents the final close-out of the original audit.

We appreciate the assistance extended to us by County Executive Office/County Procurement Office personnel during our follow-up audit. If you have any questions, please contact me at 714.834.5509 or Senior Audit Manager Michael Dean at 714.834.4101.

Attachments

Other recipients of this report:

- Members, Board of Supervisors
- Members, Audit Oversight Committee
- County Executive Office/County Procurement Office Distribution
- Foreperson, Grand Jury
- Robin Stieler, Clerk of the Board of Supervisors
- Vavrinek, Trine, Day & Co., LLP, County External Auditor

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RESULTS	
FINDING NO. 1	Ensure Conflict of Interest Statements Are Obtained
CATEGORY	Control Finding
RECOMMENDATION	We recommend CPO establish a policy to perform supervisory review to ensure Conflict of Interest Statements are obtained for the corresponding contract.
CURRENT STATUS	<p>Implemented. CPO has established written policy and procedures that require CPO operations managers and/or supervisors review files to ensure the Conflict of Interest Statements are obtained.</p> <p>Because of the actions taken by CPO, we consider this recommendation implemented.</p>
FINDING NO. 2	Ensure Evaluation Scores Are Properly Dispositioned
CATEGORY	Control Finding
RECOMMENDATION	We recommend CPO review contract files and remove all evaluators' individual scores and notes from the files. Also, CPO should establish a policy and procedure to ensure documents are properly retained and/or removed from the contract file as required by the CPM.
CURRENT STATUS	<p>Implemented. CPO has established written policy and procedures that state the CPO operations manager and/or the supervising procurement contract specialist will review the procurement file using the RFP Review checklist. The checklist was established to assist with the file folder review. The checklist specifically addresses evaluation committee members' score sheets and notes. We reviewed one contract file and verified the evaluator's individual scores and notes were removed from the file.</p> <p>Based on the actions taken by CPO, we consider this recommendation implemented.</p>



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FINDING NO. 3	Ensure the Memorandum of Recommendation is Properly Prepared
CATEGORY	Control Finding
RECOMMENDATION	We recommend CPO establish written policy and procedures to standardize the Memorandum of Recommendation form to ensure all required elements are included and are prepared the same way countywide. Also, CPO should provide training to buyers on how to properly prepare the Memo.
CURRENT STATUS	<p>Implemented. CPO has established written policy and procedures to standardize the Memorandum of Recommendation (MOR) form to ensure all required elements are included and are prepared the same way countywide. Staff have received training on the policy and procedures.</p> <p>We reviewed the MOR template from the RFP Manual located on the CPO Intranet Site. We confirmed the template included a section for ranking the proposals and a section for evaluator signatures, but does not list their names.</p> <p>Because of the actions taken by CPO, we consider this recommendation implemented.</p>

FINDING NO. 4	Clarify Authority for Retroactive Sponsorship Agreements
CATEGORY	Control Finding
RECOMMENDATION	We recommend CPO seek clarification with County Counsel on its authority to approve retroactive sponsorship agreements.
CURRENT STATUS	<p>Implemented. CPO has established written policy and procedures on its authority to approve retroactive sponsorship agreements. The policy requires the Policy and Administrative Manager consult with County Counsel regarding authority to approve retroactive sponsorship agreements on a case-by-case basis.</p> <p>Because of the actions taken by CPO, we consider this recommendation implemented.</p>



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FINDING NO. 5	Ensure Purchase Order Vendor Names and Payment Addresses Agree to Retroactive Contract Requests
CATEGORY	Control Finding
RECOMMENDATION	We recommend CPO enhance its current process to include verifying the payment information on the purchase order, e.g., amount, payee, with the Retroactive Contract Approval Request Form and follow-up with the requesting department on any discrepancies identified prior to closing the ticket.
CURRENT STATUS	<p>Implemented. CPO revised the Retroactive Contract Approval Request Form to include language at the bottom of the form that states the vendor name and retroactive dollar amount on the approved form must match the vendor name and order total on the resulting Purchase Order. CPO notified Procurement Council members and conducted training on the form.</p> <p>Because of the actions taken by CPO, we consider this recommendation implemented.</p>

FINDING NO. 6	Ensure Retroactive Contract Approvals Are Disclosed
CATEGORY	Control Finding
RECOMMENDATION	We recommend CPO ensure the missing record is included in the next batch to upload to the County's Financial Transparency website. Also, CPO should enhance its current procedures to ensure all approved requests are posted accordingly.
CURRENT STATUS	<p>Implemented. CPO has established written policy and procedures stating the Policy and Administrative Manager will prepare the retroactive report twice a year (April and October) and will meet with the County Procurement Officer to confirm and finalize the report.</p> <p>We confirmed the missing record was included on the County's Financial Transparency website.</p> <p>Because of the actions taken by CPO, we consider this recommendation implemented.</p>



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FINDING NO. 7	Revise the Compliance Review Population Methodology
CATEGORY	Control Finding
RECOMMENDATION	We recommend CPO modify the current practice to ensure the compliance review population includes all relevant data/transactions within a specific time period for each department.
CURRENT STATUS	Implemented. CPO has established written policy and procedures that state the file folder selection will be based on active status, procurement type, contract type, dollar threshold, complexity, and any other criteria needed for sufficient review. CPO modified their prior methodology for establishing the compliance review population to include past years, if needed. Because of the actions taken by CPO, we consider this recommendation implemented.

FINDING NO. 8	Revise the Compliance Review Sample Size Methodology
CATEGORY	Control Finding
RECOMMENDATION	We recommend CPO modify the current practice of a fixed sample size for compliance reviews and consider other risk factors when determining sample sizes.
CURRENT STATUS	Implemented. CPO has established written policy and procedures for the selection of file folders for compliance reviews that states the number will vary upon complexity and department. Because of the actions taken by CPO, we consider this recommendation implemented.



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FINDING NO. 9	Ensure Contract Increase Request Forms Are Uploaded to CAPS+	
CATEGORY	Control Finding	
RECOMMENDATION	We recommend CPO enhance its process to verify the approved Contract Increase Request Forms are attached to the appropriate contract document in CAPS+.	
CURRENT STATUS	<p>Implemented. CPO updated their Contract Increase Request Form to emphasize the approval form must be uploaded to CAPS+. CPO conducted training on the form during the Procurement Council meeting. When sending the approved form back to the requester, CPO also includes a reminder to the requestor that the approved Contract Increase Request Form must be uploaded to CAPS+.</p> <p>Based on the actions taken by CPO, we consider this recommendation implemented.</p>	
FINDING NO. 10	Implement Sole Source Review Form	
CATEGORY	Control Finding	
RECOMMENDATION	We recommend CPO evaluate the need to implement a standard review form to document the review of each sole source request.	
CURRENT STATUS	<p>Implemented. CPO evaluated the need for a standard review form to document the review of each Sole Source request. The form was used internally and was determined to be a duplication of effort. The department has stopped using the form.</p> <p>Based on the actions taken by CPO, we consider this recommendation implemented.</p>	
AUDIT TEAM	Michael Dean, CPA, CIA, CISA Zan Zaman, CPA, CIA Virginia Nguyen	Senior Audit Manager Audit Manager I Senior Auditor



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APPENDIX A: ADDITIONAL INFORMATION

SCOPE	Our follow-up audit was limited to reviewing actions taken by CPO as of October 31, 2018 to implement the ten (10) recommendations from our original Audit No. 1521, dated April 30, 2018.
BACKGROUND	The original audit evaluated County Procurement Office's operational effectiveness of internal control over the procurement processes governed by the Contract Policy Manual. The original audit identified ten (10) Control Findings.



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APPENDIX B: FOLLOW-UP AUDIT IMPLEMENTATION STATUS

Implemented	In Process	Not Implemented	Closed
<p>The department has implemented our recommendation in all respects as verified by the follow-up audit. No further follow-up is required.</p>	<p>The department is in the process of implementing our recommendation. Additional follow-up may be required.</p>	<p>The department has taken no action to implement our recommendation. Additional follow-up may be required.</p>	<p>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.</p>

