INTERNAL AUDIT DEPARTMENT

First & Final Close-Out Follow-Up:
County of Orange
Procurement Governance

Audit No. 2407-F1
Report Date: July 16, 2026

Recommendation Status

26	Implemented
0	In Process
0	Not Implemented
0	Closed

INTERNAL AUDIT DEPARTMENT

Audit No. 2407-F1

July 16, 2026

To: KC Roestenberg
Interim County Executive Officer

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

Digitally signed by Agripino Alonso
Date: 2026.07.16 15:22:50 -07'00'

Subject: First & Final Close-Out Follow-Up: County of Orange Procurement Governance

We have completed a follow-up audit of the County Procurement Governance Audit conducted by Macias, Gini & O'Connell LLP, original Audit No. 2407 dated April 18, 2025. Details of our results immediately follow this letter. Additional information, including background and our scope, is included in Appendix A.

We followed up on the status of 26 recommendations from the original audit and concluded that the County implemented all of them. This report represents the final closing out of the original audit.

We appreciate the assistance extended to us by County personnel during our follow-up audit. If you have any questions, please contact me at (714) 834-5442 or Deputy Director Jose Olivo at (714) 834-5509.

Attachments

Other recipients of this report:
- Kim Engelby, County Finance Officer
- Maria Agrusa, County Procurement Officer
- Members, Board of Supervisors
- Members, Audit Oversight Committee
- County Executive Office Distribution
- Foreperson, Grand Jury
- Robin Stieler, Clerk of the Board
- Crowe LLP, County External Auditor

RESULTS

OBSERVATION NO. 1	Policies and procedures are comprehensive and ever changing and can be overwhelming. The primary procurement policy documents for the County are the Contract Policy Manual (CPM) and the Procurement Procedures Manual (PPM). The CPM includes comprehensive policies that govern all major areas of purchasing, and the PPM provides direction on how to implement these policies. While the CPM and PPM act as comprehensive reference documents, Macias, Gini & O'Connell LLP noted: 1. Staff desire more guidance, including explicit guidance related to human services contracts. 2. The policy manuals included weblinks to the County's intranet and external websites, but some of the links were inactive. 3. Staff find that navigating policy and procedures manuals can be overwhelming. 4. The County can maximize the OpenGov and Enterprise Resource Planning (ERP) system implementations by configuring these systems to automatically populate current templates and avoid having staff manually search through communications for the relevant and updated information.
CATEGORY	**Control Finding**
RECOMMENDATIONS	County Procurement Office (CPO): 1. Include additional guidance on complex or unique contract types, specifically human services contracts, in the CPM and the PPM and continuously work with staff to better understand the specific guidance they are seeking. 2. At least annually, verify and update links and references in the following resources to ensure users can access the noted additional internal and external resources: CPM; PPM; CPO Website; Training Documents; and Frequently Asked Questions (FAQs). 3. Continue to engage staff regularly (through surveys, meetings, and other channels for feedback) to understand communication preferences, gaps, and needs. 4. Standardize and automate updates in systems and templates to minimize staff manually updating documents or incorrectly interpreting policy guidance.
STATUS	**Implemented**. We confirmed the following: 1. CPO updated the CPM on February 23, 2026, and PPM on May 11, 2026 to include additional guidance on unique contract types, specifically human services contracts. We also reviewed and

	confirmed that CPO provides Open Mic in Monday Messages and administers an Annual Procurement Survey to allow staff to provide feedback and better understand the guidance they are seeking. 2. CPO ensured that the links and references included in the CPM and PPM, for both internal and external resources, such as the CPM, PPM, CPO website, California Legislative Information, training documents and FAQs are active. We tested the various links included in the CPM and PPM to confirm that the links were valid. 3. CPO solicited feedback regularly from procurement staff using surveys (Annual Deputy Purchasing Agents (DPA), End User, Supplier) and Monday Messages. We reviewed the Monday Message that was sent to departments on February 23, 2026 and the CPO's 2025 DPA, Department, and Supplier Procurement Surveys, which support this regular engagement. 4. CPO now restricts the ability to change templates in OpenGov to authorized personnel. We reviewed an OpenGov user access report that supports this restriction. Based on the actions taken by CPO, we consider these recommendations implemented.

OBSERVATION NO. 2	Multiple, disparate technology tools and systems are creating inefficiencies. The County uses six applications in the procurement workflow: OC Expediter, Pavilion, County-wide Accounting and Personnel System (CAPS+), OpenGov (OG), Docusign, and Procurated. The use of multiple applications has led to inefficiencies and frustration among staff stemming from having to use disjointed platforms for different components of their work. This has led to duplication of staff effort in data entry, having to design work arounds to pull information or relevant reports from different applications, and inconsistent usage and access by staff to the aforementioned applications.
CATEGORY	**Control Finding**
RECOMMENDATIONS	CPO: 5. The County Executive Office (CEO) and CPO should work with the Auditor-Controller (A-C) to ensure that best practices are being followed and to consider the elements outlined in the Systems Development Lifecycle Framework (or similar) to continue in planning efforts to elicit input from all relevant user departments to properly test and deploy the new ERP system. 6. In collaboration with other purchasing staff and stakeholders, the CPO should:

	a. Continue in its planning efforts to elicit input from stakeholders to inform their decision on which system to utilize for procurement workflows, and b. Continue in its planning efforts to identify and align resources, inclusive of creating a transition plan, developing data migration protocols, updating policies and procedures, etc. (in conjunction with Recommendation #7)
STATUS	**Implemented**. We confirmed the following: 5. The CEO, CPO, and A-C continued coordinating planning and implementation activities for the ERP system through the ERP Steering Committee. Based on our review of the January 15, 2026 ERP Steering Committee meeting minutes, the implementation process included participation from relevant user departments, providing opportunities for stakeholder input during planning, testing, and deployment. 6. CPO: a. Facilitated stakeholder input during ERP Steering Committee meetings to help determine the most suitable system to use for procurement workflows. We reviewed the ERP Steering Committee meeting minutes for January 15, 2026, to confirm that various departments attended (e.g., CEO, A-C, Orange County Sheriff's Department (OCSD), Orange County Information Technology (OCIT), and IAD). We noted that the Action Item for the meeting was to continue to research an aggregated contract solution that will work for the County. b. Partnered with subject matter experts and the procurement ERP team during ERP Steering Committee meetings to monitor development progress, plan transition activities, address data migration needs, assess policy and procedure updates, and coordinate change management efforts. We reviewed the ERP Steering Committee meeting minutes for January 15, 2026, and confirmed that CPO partnered with subject matter experts and the procurement ERP team during ERP Steering Committee meetings to monitor development progress and coordinate change management efforts. Based on the actions taken by CPO, we consider these recommendations implemented.

OBSERVATION NO. 3	Lack of standardization is creating operational inefficiencies. All Countywide procurement staff have been mandated to use OpenGov for contract preparation since July 1, 2024. Staff have reported obstacles with the usability of the templates in the system. These inefficiencies may have been a result of department staff not being engaged in the development of contract templates, departments not testing the templates adequately prior to the switch from BidSync to OpenGov, and staff's lack of engagement in the existing decentralized procurement operating environment.
CATEGORY	**Control Finding**
RECOMMENDATIONS	CPO: 7. CPO should continue to prioritize current efforts to revise OpenGov system templates and resolve major functionality issues within the next six months. 8. CPO should require full department participation in procurement workflow design and evaluation and for department staff to provide timely feedback to CPO to ensure templates are appropriately designed and functional to effectively conduct procurement activities. 9. While the ERP system implementation is underway, CPO should collaborate with A-C and with department users to improve the invoicing process, for example, by developing standard invoice approval protocols, and documenting and making them accessible for all relevant staff to follow. 10. CPO should collaborate with A-C to establish and track performance metrics around timely vendor payments and put in place an accountability system to ensure performance to standards.
STATUS	**Implemented**. We confirmed the following: 7. CPO continued its efforts in revising OpenGov system templates, and in resolving functionality issues. We reviewed various CPO Monday Message sent throughout 2025, CPO's preferred method of communication, that supported CPO completed and communicated various OpenGov updates to stakeholders. The Monday Messages also included updates to training pertaining to the Procurement workflow. We reviewed the presentation slides for the Procurated training held on October 9, 2024, to confirm that stakeholders were provided training to address programmatic updates. 8. CPO facilitated collaborative design sessions, established timelines for feedback, and incorporated departmental input into template updates. We reviewed various OpenGov Workgroup invitations sent in 2026 and Monday Messages for 2026 that

	confirm that CPO had ongoing communication and engagement efforts with departments and ensured departments remained actively involved throughout the design process. 9. CPO collaborated with A-C to enhance the invoicing process during ERP system development. Corrective actions included establishing standardized invoice approval protocols across departments, documenting procedures, and ensuring access for relevant staff. Facilitated cross-departmental working sessions to gather input, align on best practices, and promote consistency, while supporting implementation through training and ongoing communication efforts. We reviewed CPO's documentation of its involvement in implementation of the ERP project and Contracting Standardization Workgroup minutes to support corrective action was taken. 10. CPO collaborated with A-C on establishing performance metrics for invoice processing within the new ERP system. We reviewed the Invoice Process workflow to confirm that the CPO have established metrics for invoice processing. Based on the actions taken by CPO, we consider these recommendations implemented.

OBSERVATION NO. 4	Staffing-related issues are adversely impacting operations. County procurement departments have had difficulty recruiting sufficient staff to meet existing workload demands. There are departments with routinely complex and/or high volume of procurements that have noted gaps in maintaining adequate staffing resources to meet those demands. It has been noted that compliance audits were not being performed due to staffing restraints.
CATEGORY	**Significant Control Weakness**
RECOMMENDATIONS	CPO: 11. The County should consider conducting a compensation study to compare salaries for procurement professionals with other similar local external agencies and determine whether it is appropriate to adjust current salaries to be more competitive. In addition, explore other initiatives to recruit and retain top purchasing talent, like recognition or bonus programs, flexible work schedules, robust benefits, etc. 12. CPO should develop and oversee a staffing plan to cross-train and strategically deploy procurement staff resources based on Countywide needs (in conjunction with Recommendation #21). 13. CPO should develop a strategy to fully staff up and execute the procurement compliance function.

STATUS	**Implemented**. We confirmed the following: 11. CPO worked with the Human Resources Services and considered conducting a compensation study. They indicated they do not plan to conduct one because the County completed a countywide management classification and compensation study in fiscal year (FY) 2022-23 that included evaluating the salaries for procurement professionals. The CPO stated that it is premature to assess the impact that centralizing the procurement function will have on procurement positions and compensation. The CPO explained that the centralized procurement model is still being implemented, and additional time is needed to evaluate how the organizational changes affect staffing responsibilities, position classifications, workload distribution, recruitment and retention, and overall compensation needs before determining whether a separate compensation study is warranted. 12. CPO now offers opportunities amongst County departments to rotate and cross train on various procurement and contract types. We reviewed the Cross Training & Rotational Development Plan, which supports these cross-training opportunities. 13. CPO filled their vacancies utilizing the new Compliance Program Plan they implemented in October 2025 and shared with the DPA community. We also reviewed a schedule of CPO compliance audits performed to confirm that CPO was conducting compliance audits. Based on the actions taken by CPO, we consider these recommendations implemented.

OBSERVATION NO. 5	Steps can be taken to better ensure staff are in full compliance with required training and training can be more relevant to core functions. Department staff are not required to attend CPO-sponsored training, only DPAs adhere to required training hours and training schedule. The lack of required training may lead to department staff missing critical knowledge, policy changes and their effects on procurement workflow. It has also been noted that the training offered is mainly geared toward an understanding of policy, which may not be relevant to day-to-day core functions. The County does not currently have standardized training for procurement types that would better support staff to perform cross functionally.
CATEGORY	**Control Finding**
RECOMMENDATIONS	CPO: 14. Seek input from procurement staff to improve the training program with a more interactive format, focus on job-specific tasks, cross-train for broader deployment of staff, and implement better

	assessment tools (i.e., feedback mechanism to ensure staff have really acquired the skills and knowledge they are being trained on, like targeted exams, applied exercises that are incorporated into the trainings, or practical refreshers for ongoing retention of practices around key processes or procurement types.) 15. Explore additional tools and systems to automate the tracking of training requirements and compliance for all procurement staff to include reminders, compliance reports, and consequences (i.e., automatic revocation of DPA status/certifications, etc.)
STATUS	**Implemented**. We confirmed the following: 14. CPO sought input from procurement staff and other stakeholders to improve the training programs, to focus on job-specific tasks. We reviewed an example of CPO's annual DPA survey to obtain staff feedback and the results of CPO's 2025 annual survey from which CPO received 97 responses. 15. CPO now maintains a record of training hours completed by CPO staff to ensure that the minimum training requirements are met. We also reviewed the DPA training hours report as of November 26, 2025, and confirmed that corrective action was implemented to address the observation. Based on the actions taken by CPO, we consider these recommendations implemented.

OBSERVATION NO. 6	Contract monitoring is an area of weakness and high risk for the County. Section 3.3-120 of the CPM states that it is the responsibility of project managers (program staff) or department designees named in the contract documents to monitor and report on contractor performance. However, it was noted that it is unclear if and how staff are reporting on contractor performance. There are concerns that the program managers are unable to adequately monitor the financial and performance metrics related to the contracts, which continues to be an area of high risk due to a lack of contract monitoring.
CATEGORY	**Significant Control Weakness**
RECOMMENDATIONS	CPO: 16. CPO should work with departments to determine the role of procurement staff to assist with contract monitoring based on risk and standardize protocols where possible. 17. Develop one standardized protocol and system for all departments to use to track contract milestones and deliverables, performance metrics, etc., and train staff accordingly.

	18. When the ERP system implementation is underway, CPO should collaborate with A-C to seek ways to automate workflows as much as is feasible for documenting vendor due diligence checks, subrecipient monitoring tasks (especially those that are federally mandated), performance reporting, and any associated approvals.
STATUS	**Implemented**. We confirmed the following: 16. CPO established guidelines defining procurement staff's responsibilities, in coordination with A-C staff, throughout the procurement process, including supplier registration, requisitions, negotiations, contracts and agreements, purchase orders, and contract monitoring. We reviewed the "Procure to Pay Project Team" flowchart that supports these roles and responsibilities. 17. CPO now utilizes OpenGov county-wide to assist departments in tracking contract milestones and deliverables and setting performance metrics. We reviewed the slides for the Procurated Training conducted on October 9, 2024, to confirm that CPO trained staff how to use Procurated. We also reviewed the Procurement Systems training log, to support that CPO trained staff on OpenGov. 18. CPO collaborated with A-C department to define and automate workflows, perform vendor due diligence checks, and monitor subrecipients. We reviewed documentation (i.e., the Supplier workflow diagram), which supports this collaboration. Based on the actions taken by CPO, we consider these recommendations implemented.

OBSERVATION NO. 7	Greater centralization of the procurement function will strengthen controls and improve compliance. The County procurement function is spread throughout approximately 22 departments and nearly 300 procurement professionals with no centralized leadership structure. This has led to inefficiency and an absence of standardization throughout the procurement workflow. These inefficiencies have affected the County's ability to process payments and hindered the recruitment of vendors in participating in the procurement function.
CATEGORY	**Control Finding**
RECOMMENDATIONS	CPO: 19. Continue strengthening the central purchasing function and consider developing a 12-to-18-month plan to centralize all departments and procurement professionals under the CPO.

	20. Develop a rotation program within the next three to five years, cross-training and cross-certifying purchasing staff to be able to serve a majority of County department(s) (in conjunction with Recommendation #12) 21. Develop Countywide performance measures in collaboration with DPAs in all of the user departments to set turnaround times for various types of procurements, and put in place accountability systems to ensure performance to standards. 22. Track procurement workload and continuously refine a work management system to strategically deploy staff and other resources.
STATUS	**Implemented**. We confirmed the following: 19. On January 28, 2025, the Board approved to centralize the procurement function to be effective by February 7, 2025. All procurement activities will be performed by CPO. We reviewed the Board meeting minutes for January 28, 2025, to confirm that the Board approved to centralize the procurement function. 20. CPO now offers a rotation program that allows staff to cross train and relocate to other departments, to gain valuable experience that would be beneficial to the procurement function. We reviewed a list of staff that have been rotated in CPO's rotation program, which supports the program is in operation. 21. CPO collaborated with departmental DPAs to develop Countywide performance measures to track workloads and hold staff accountable using metrics such as total requisitions on department workload, number of requisitions closed but not completed, and average days to assign a buyer after the budget is approved. We reviewed the February 2026 Staff Workload Studies for CEO, Health Care Agency, and Social Services Agency, which support staff's performance against performance measures. 22. CPO conducted staff workload studies across the County to establish a means to increase efficiency and productivity, track workload balance, and support the decision-making process in deploying resources to support the procurement function. We reviewed the February 2026 Staff Work Study for CEO to confirm that CPO has a procurement workload and work management system to strategically deploy staff. Based on the actions taken by CPO, we consider these recommendations implemented.

OBSERVATION NO. 8	Existing governance structure and role of Board pose risks to County. The Board has the potential to have excessive influence over certain purchasing and contracting decisions, under previous policy, the Board has the authority to direct staff on vendor selection or alter policy as needed. Board members are also, at times, unaware of procurement policies.
CATEGORY	**Significant Control Weakness**
RECOMMENDATIONS	CPO: 23. Update all relevant sections and related language in the CPM, PPM, and relevant policy and procedure documents to clarify the Board's role in approving or denying contract awards. The Board should generally approve contracts exceeding certain thresholds as outlined in County policies, but not select or guide staff to select specific contractors. Formalize in the policies and procedures a detailed process for documenting justifications in the event of a contract award denial, as well as a process for reviewing denials. 24. Implement regular trainings (at least annually) conducted by CPO for Board members around policies and procedures, governance roles and responsibilities, undue influence, fraud, and other relevant topics as needed. Incorporate this training into the Board onboarding process. 25. Develop disclosure forms to be used with all discretionary funds outlining what the purchase was for, the intended beneficiaries, intended return on investment, who was awarded the contract, and justification. 26. Implement a streamlined process for considering and implementing Board changes to the procurement process, aimed at improving input from subject matter experts (e.g., CPO) and considering policy alternatives, prior to adoption and implementation.
STATUS	**Implemented**. We confirmed the following: 23. CPO updated the CPM and PPM to include that the Board is required to process all procurement and contracting requests through the CPO, and that utilizing specific suppliers requires Board approval regardless of amount. We reviewed the CPM and PPM to confirm that they included the recommended language. 24. CPO now conducts regular training with the Board, to discuss and inform about the impacts of new changes to the County's procurement process. We reviewed documentation that supports CPO conducted training for Board members about relevant procurement topics. 25. CPO now submits a quarterly "Discretionary Funds Transparency Report" to the Board for review and approval. The report outlines what the purchase was for, the intended beneficiaries, who was

	awarded the contract, and justification. We reviewed the Board's Discretionary Funds Transparency Report for the quarter ended December 2025 to confirm that it outlined the recommended information. 26. CPO now updates the CPM and/or PPM to implement changes to the procurement process and then provides staff with related training during its monthly meetings. Critical updates are also flagged in CPO's Monday Messages newsletter. We reviewed CPO's written explanation of CPO's process for implementing Board changes to the procurement process to confirm that the process is streamlined. Based on the actions taken by CPO, we consider these recommendations implemented.

AUDIT TEAM	Michael Steinhaus, CISA, CIA, CPA	IT Audit Manager
	JC Lim, CIA, CISA, CFE	Senior IT Auditor
	Thuy Luu	Administrative Services Specialist

APPENDIX A: ADDITIONAL INFORMATION

SCOPE	Our follow-up audit was limited to reviewing actions taken by the CPO to implement 26 recommendations from the original audit.
BACKGROUND	The original audit evaluated the operational effectiveness of internal controls over CPO. The original audit identified three Significant Control Weaknesses and five Control Findings.

APPENDIX B: FOLLOW-UP AUDIT IMPLEMENTATION STATUS

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.