INTERNAL AUDIT DEPARTMENT



OC Community Resources
Purchasing and Contracts
For the Period of April 1, 2023
Through June 30, 2024

Audit No. 2304
Report Date: October 13, 2026

Number of Recommendations

0	Critical Control Weaknesses
1	Significant Control Weakness
4	Control Findings

OC Board of Supervisors

CHAIR DOUG CHAFFEE	VICE CHAIR KATRINA FOLEY	SUPERVISOR JANET NGUYEN	SUPERVISOR VICENTE SARMIENTO	SUPERVISOR DONALD P. WAGNER
4th DISTRICT	5th DISTRICT	1st DISTRICT	2nd DISTRICT	3rd DISTRICT

INTERNAL AUDIT DEPARTMENT

OC Community Resources Purchasing and Contracts
October 13, 2026

AUDIT HIGHLIGHTS

SCOPE OF WORK	Perform an internal control audit of the OC Community Resources' (OCCR) Purchasing and Contracts process for the period of April 1, 2023 through June 30, 2024, including OCCR's Workforce Innovation and Opportunity Act (WIOA) Program contracts.
RESULTS	Based on the information we obtained and testing of a judgmentally selected sample of 16 contracts, including seven human services (five related to the WIOA program), five services, and four commodities contracts, we concluded that OCCR's: • Internal control over the purchasing and contracts process is generally effective to ensure contracts are executed in accordance with County purchasing rules; adequately supported; and properly authorized and recorded. • Contract monitoring activities **could improve** to provide adequate oversight of contracted services. • Purchasing and contracts process is generally efficient. We noted one significant control weakness and four control findings and opportunities to enhance process controls.
RISKS	As a result of our findings, potential risks include: • Unsatisfactory service levels, untimely identification of compliance issues, and inappropriate use of public funds. • Contract award to the incorrect vendor and lack of transparency. • Difficulty performing oversight and ensuring staff adhere to County procurement rules, including retention of required documents and/or performance of important procurement steps. • Unauthorized access to and approvals of purchase requisitions and invoices that are routed for payment. • Negative impact on the ability to continue contract services operations in the event of an emergency or other disruption.
NUMBER OF RECOMMENDATIONS 0 CRITICAL CONTROL WEAKNESSES 1 SIGNIFICANT CONTROL WEAKNESS 4 CONTROL FINDINGS	Opportunities for enhancing internal control include: • Ensuring risk assessments are conducted to establish the level of monitoring required for each contract, and performing contract monitoring activities as determined or required by the contract. • Implementing a formal review process to ensure that final consensus scores are adequately supported. • Ensuring electronic procurement files are standardized and retaining the required documentation, in accordance with County Procurement Office requirements. • Periodically performing formal, documented user access certification reviews for appropriateness to ensure access is restricted to individuals with direct business need and disabled when no longer required. • Establishing a business continuity plan, updating outdated information in internal purchasing procedures, and establishing a documented process to periodically review and update these documents.

Report suspected fraud or misuse of County resources by vendors, contractors, or County employees to (714) 834-3608

AUDIT NO. 2304

INTERNAL AUDIT DEPARTMENT

Audit No. 2304

October 13, 2026

To: Dylan Wright
OC Community Resources Director

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

Digitally signed by Aggie Alonso
Date: 2026.10.13 09:10:09 -07'00'

Subject: OC Community Resources Purchasing and Contracts

We have completed an internal control audit of OC Community Resources (OCCR) Purchasing and Contracts process for the period of April 1, 2023 through June 30, 2024, including a sample review of OCCR's Workforce Innovation and Opportunity Act (WIOA) Program contracts. Our review was delayed due to several factors, including staffing changes within the audit team and the completion of other high-priority assignments, such as the Risk Assessment and Review of All Orange County American Rescue Plan Act Funded Contracts and Expenditures, directed by the Board of Supervisors (Board) on September 24, 2024 (Board Agenda Item S37E) and issued in two phases on February 5 and July 3, 2025. Since procurement remains a high-risk activity, we plan to include another audit of OCCR's controls in this area in our Fiscal Year (FY) 2027-28 audit plan.

Details of our audit results immediately follow this letter, and additional information including background and our objectives, scope, and methodology are included in Appendix A. OCCR concurs, partially concurs, or defers to the County Procurement Office (CPO) on all our recommendations, and we consider management's response in Appendix C generally appropriate to the recommendations in this report. Subsequent to our review period, the County's procurement function was centralized under the CPO effective July 1, 2025, therefore CPO has provided a separate response to our recommendations. CPO concurs or partially concurs with all our recommendations, and we consider their response in Appendix D generally appropriate to the recommendations in this report. CPO also indicated that existing processes are in place to address our recommendations. We will review these processes and controls and report our results during a future follow-up audit.

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 OCCR's personnel during our audit. If you have any questions regarding our audit, please contact me at (714) 834-5442 or Deputy Director Jose Olivo at (714) 834-5509.

Attachments

Other recipients of this report:
Members, Board of Supervisors
Members, Audit Oversight Committee
County Executive Office Distribution
County Procurement Office Distribution
OC Community Resources Distribution
Foreperson, Grand Jury
Robin Stieler, Clerk of the Board
Crowe LLP, County External Auditor

RESULTS

BUSINESS PROCESS & INTERNAL CONTROL STRENGTHS

We noted business process and internal control strengths during our audit. Specifically, OCCR:

- ✓ Participates in the County Procurement Office's (CPO) Compliance Review, which is a CPO audit that helps ensure OCCR's compliance with procurement and contracting policies and directives.
- ✓ Participates in Procurement Council meetings, where OCCR management learns about County procurement policy and procedure updates and collaborates on changes within the procurement environment.
- ✓ Uses the County's online requisitioning system to automate and facilitate procurement activities, such as requisitions and acknowledgement of the receipt of services for invoice payments. In addition, work is assigned and monitored using the requisition system's Procurement Workload reports.
- ✓ Uses an internally developed Human Services Contract Compliance Checklist as a tool to document review of important items, such as Contract Performance Evaluations, Subrecipient Checklists, and Contract Monitoring.
- ✓ Retains procurement documentation in accordance with CPO's guidance and electronic folder checklist.
- ✓ Maintains an annual contract listing that summarizes important information, such as contract terms, notices of expiration issued, not to exceed amounts, and pertinent contact information to monitor contract status and expiration dates.

FINDING NO. 1	**Inadequate Contract Monitoring**

During our fieldwork, we reviewed documentation to support contract monitoring activities, such as pre-award risk assessments, Single Audit report reviews for federally funded contracts, site visit reports, annual program evaluations, contract performance evaluations, and contract expenditure/cost reports. We noted several instances where documentation was missing, incomplete, or contained issues. Specifically:

- For three of seven contracts where a pre-award risk assessment was completed, it did not adequately identify the level of monitoring required, such as whether site visits or program evaluations should be conducted. This is essential to ensure contracts are adequately and timely monitored. In addition, two of the assessments lacked preparer and reviewer signatures. The County's Subrecipient Monitoring Policy (SMP) requires departments to perform risk assessments to establish appropriate contract monitoring levels.
- For five contracts where the Single Audit requirement applied to the subrecipient, OCCR did not maintain documentation to support a formal review of the entity's Single Audit reports. For one of the contracts, we noted that the entity's Single Audit contained one finding related to the WIOA program. OCCR did not maintain documentation to support any follow-up actions were conducted to ensure the finding was addressed. However, we did note that OCCR maintained documented reviews for the entity's Audited Financial Statements for three contracts, which may contain the Single Audit results, but this was not explicitly stated. As mentioned, the County's SMP requires risk assessments to establish contract monitoring activities, which includes Single Audit report reviews when appropriate.
- For four contracts where site visit reports or programmatic evaluations should have been completed, OCCR did not maintain documentation to support the contract monitoring activities were conducted. For two of the contracts, OCCR indicated that site visits were not conducted due to stay at home orders during the COVID pandemic. While this is reasonable, we noted that OCCR did not conduct any other alternative method of monitoring, such as requesting progress reports from the subrecipient as allowed by the contract.
- For one contract where quarterly performance reports should have been completed as required by the contract, OCCR did not maintain documentation to support the contract monitoring activities were conducted.
- For one contract where cost reports or evidence of program expense reviews should have been completed, OCCR did not provide documentation to show a review was performed. In addition, for the three expenditure reports we reviewed, all were missing preparer and reviewer information to document formal review.

	During our fieldwork, we placed this review on hold due to staffing changes within the audit team and the completion of other high-priority assignments, including a Board-directed review of the County's American Rescue Plan Act funded contracts and expenditures. During this time, the County implemented several policy updates, including enhanced monitoring requirements. As a result, OCCR may have already addressed some of the issues we noted following our review.
CATEGORY	**Significant Control Weakness**
RISK	Inadequate contract monitoring can lead to unsatisfactory service levels, untimely identification of compliance issues, and inappropriate use of public funds.
RECOMMENDATION	OCCR management ensure: A. Risk assessments are conducted for all contracts regardless of funding source to establish the level of monitoring required. B. Reviews of Single Audit results for federally funded contracts are performed and formally documented. C. Contract monitoring activities, such as site visits and program evaluations, are performed as determined by the risk assessment or as required by the contract.
MANAGEMENT RESPONSE	**OCCR:** A. Risk Assessment (Procurement): **Concur.** The County's procurement function was centralized under the CPO effective 7/1/2025. OCCR defers any reviews or changes to procurement procedures, practices, or policies to CPO as the overseeing authority for that function. B. Single Audit (Procurement): **Concur.** County's procurement function was centralized under the CPO effective 7/1/2025. OCCR defers any reviews or changes to procurement procedures, practices, or policies to CPO as the overseeing authority for that function. B. Single Audit Reviews (OCCS): **Concur.** Review of Single Audit results should be performed and documented. For the one contract noted, the third-party CPA firm procured by OCCS to fiscally monitor the contract had overlooked the Single Audit provider finding. OCCS will ensure that all Single Audit provider findings are appropriately reviewed and any appropriate follow-up actions are documented. C. Contract Monitoring Activities (OCCS): **Partially concur.** OCCS completed contract monitoring on-site and issued final monitoring reports for the four contracts noted, however those were completed in 2024 and 2025. These documents have been provided to IAD for reference. OCCS has completed fiscal monitoring for FY 2022-23 for the sampled providers and fiscal monitoring for FY 2023-24 and FY 2024-25 is currently underway. Program monitoring is conducted as a comprehensive review of each contract and is not driven by risk

assessment. OCCS will ensure that fiscal and program monitoring is conducted as required by the contract and existing County policy.

CPO: Concur.

Human Services Standardization Initiative

The County's Human Services Standardization Initiative strengthens corrective actions in sections A, B-1, B-2, and C by standardizing procurement, audit-review, and contract-monitoring practices across human services departments. This ensures consistent processes, clearer documentation, and improved compliance.

The initiative supports procurement centralization under CPO by establishing uniform workflows that OCCR has adopted in coordination with CPO. Standardized audit procedures help ensure Single Audit findings are consistently identified, reviewed, and documented. Combined with the Contract Policy Manual, the initiative implements countywide monitoring standards to improve the structure, timeliness, and consistency of fiscal and program monitoring. Overall, it provides unified processes and tools that reduce variability and reinforce existing corrective actions.

In addition, as part of the comprehensive CPO DPA training curriculum, Contractor Compliance Monitoring training was provided to all DPAs on January 9, 2025. Covered topics in the training included: Uniform Guidance requirements, due diligence process, single audit review and requirement, insurance review, pre award risk assessment/annual risk assessment best practices, annual site visits, annual performance evaluations, contractor noncompliance, and contract administration.

2026 Contract Policy Manual Contract Monitoring Components

1. Contract monitoring: Provides post-award oversight of compliance, deliverables, productivity, fiscal responsibility, and records maintenance to ensure services and commodities meet all contractual and regulatory requirements.
2. Pre-Award Risk Assessment: Conducted before contract execution to identify contractor or subrecipient risks and determine appropriate monitoring levels.
3. Annual Risk Assessment: Performed each year to reassess contractor risk and adjust monitoring frequency and depth.
4. Monitoring requirements vary by service type and funding source. Contracts funded by federal or state programs must comply with applicable regulations, including Uniform Guidance, and specify required monitoring activities.
5. All contracts must require contractors to maintain active registration status with all applicable federal, state, and local entities for the full contract term. DPAs verify status before execution, and the County confirms it annually thereafter.

	IAD Comment: Subsequent to our review period, the County centralized the procurement function under the CPO, whose response indicates that processes are in place to address our recommendation. We will review these processes and controls during a future follow-up audit and report our results.

FINDING NO. 2	**Inadequate Consensus Score Documentation** During our fieldwork, we reviewed evaluation panel committee support documents to ensure compliance with Request for Proposals (RFP) criteria and that results identify the recommended bidder. We noted OCCR did not have a process to support the final consensus scores that were submitted on the Agenda Status Report for Board review and approval. While RFP files included initial individual scoring sheets, the scores in these sheets did not always agree with the final scores. OCCR indicated initial scoring sheets are considered working documents and should not have been retained as per procurement policy. It is standard County practice for scores to be revised during a scoring consensus meeting to reduce variances between evaluators. As a result, adjustments made during the consensus process may shift final scores and can result in changes to the ranking order of proposals within individual scored categories, such as the written proposal evaluation. While this appears reasonable, in order to ensure transparency and accurate final scoring, OCCR should establish a formal review process to ensure that final consensus scores are adequately supported.
CATEGORY	**Control Finding**
RISK	Inaccurate evaluation panel final scoring documentation can result in awarding contracts to the wrong vendor. In addition, lack of documentation decreases transparency.
RECOMMENDATION	OCCR management implement a formal review process to ensure that final consensus scores are adequately supported.
MANAGEMENT RESPONSE	**OCCR:** The County's procurement function was centralized under the CPO effective 7/1/2025. OCCR defers any reviews or changes to procurement procedures, practices, or policies to CPO as the overseeing authority for that function. **CPO: Partially concur.** The CPO's Procurement Procedures Manual (PPM) outlines the required steps for evaluation committee meetings, including the process for managing score variances. Specifically, the PPM requires evaluators to discuss any variance greater than 25% between individual scores for the same criterion. Following this required discussion, each evaluator finalizes their score. These finalized scores, not the preliminary drafts, represent the official results of the committee's

evaluation and are the only versions that should be retained in the procurement file and included in ASR attachments.

Additionally, CPO has trained all DPAs on and implemented standardized Individual Scoring Sheets that provide scoring parameters for evaluators and an Evaluation Variance Identifier tool that automatically identifies evaluator scores that exceed 25% variance per evaluation criteria, flags these scores for discussion, automatically calculates point allocation for cost, preference policy point allocation when applicable, and final results.

IAD Comment:

Subsequent to our review period, the County centralized the procurement function under the CPO. The CPO partially concurs with our recommendation and states that existing processes are in place to address our recommendation. However, the process described does not appear to be sufficient. While it may be appropriate to only reflect final scores in the ASR, staff need to retain documentation to provide management reasonable assurance that the final scores reflect the required identification of score variances and alignment with preliminary scores. For example, this could include retaining preliminary scoring sheets and documentation to support required discussions on variances greater than 25% and scoring adjustments, as per CPO policy. We also recommend CPO reconsider County policy, which currently prohibits the retention of preliminary scoring sheets, to ensure transparency and accurate final scoring.

FINDING NO. 3

Missing or Incomplete Procurement Documentation

During our fieldwork, we requested for and reviewed procurement-related documentation, such as copies of requisitions, internet postings, bid packets, and contract checklists to assess OCCR's procurement processes and controls. We noted several instances where documentation was missing, incomplete, or contained issues. Specifically:

- OCCR maintains electronic procurement file folders (ePFF) with documentation required to support procurement activities and adherence to CPO procurement rules. For Human Services contracts, an internal checklist referred to as the Contract Compliance Checklist is also used to document review of important items such as Contractor Performance Evaluations, Subrecipient Checklists, Contract Monitoring, and certificates of insurance. However, we noted that OCCR could not locate a Contract Compliance Checklist for one (14%) of seven Human Services contracts, and three (43%) contracts had incomplete checklists. Furthermore, these four contracts were missing additional documentation, such as the contract monitoring reports we noted in

	Finding No. 1, which may have been identified and retained had the Contract Compliance Checklist been properly completed. • OCCR did not retain insurance documentation for three (19%) of 16 contracts. • OCCR did not retain documentation to justify the not-to-exceed (NTE) amount for four (25%) of 16 contracts reviewed. Although OCCR explained the basis for the NTE amounts during our fieldwork, retaining documentation in the contract file would enhance transparency and help prevent cost overruns. • The County requires bidders to submit a list of references in order to conduct reference checks prior to contract award as required by County policy. However, for one (6%) of 16 contracts reviewed, we noted that the email domain for the provided reference belonged to the bidder. When we requested a copy of the reference letter, OCCR indicated that this was not required as the County only requested for a list of references. However, the County should be prudent to verify that references are independent of the bidder, when warranted. • OCCR downloads solicitation bid packets from the online bidding system to evaluate proposals and stores these documents on their local network. However, the packets contain W-9 forms with vendor's Employer Identification Number (EIN) and OCCR retained this information in their files when not needed. While EINs are public information and required in certain contracts to conform with Federal Uniform Guidance, they should be considered sensitive, which is consistent with the County's practice to discard W-9 forms when not needed. During our fieldwork, we placed this review on hold due to staffing changes within the audit team and the completion of other high-priority assignments, including a Board-directed review of the County's American Rescue Plan Act funded contracts and expenditures. During this time, the County continued implementing OpenGov as its centralized contract management system, which resulted in changes to CPO's ePFF requirements and related OCCR processes. These updates eliminated the need to download solicitation bid packets containing W-9 forms and revised the procurement file guidelines that OCCR must follow.
CATEGORY	**Control Finding**
RISK	The lack of standardized file organization makes it difficult to perform oversight and ensure staff adhere to County procurement rules, including retaining required documents and/or performing important procurement steps. Also, retaining W-9 forms when not needed increases the risk of business EINs being misused.

RECOMMENDATION	OCCR management ensure: A. Electronic procurement files are standardized and retain the required documentation, which includes properly discarding W-9 forms when not needed, in accordance with CPO requirements. B. The Contract Compliance Checklist is adequately completed and retain the appropriate documentation for each human services contract.
MANAGEMENT RESPONSE	**OCCR:** The County's procurement function was centralized under the CPO effective 7/1/2025. OCCR defers any reviews or changes to procurement procedures, practices, or policies to CPO as the overseeing authority for that function. **CPO: Concur.** Since the initiation of this audit and as result of the procurement centralization, CPO has implemented several process automations as well as the implementation of the Human Services Standardization Initiative to address the missing or incomplete audit finding. Combined, they establish consistent procurement, audit-review, and contract-monitoring practices across all human services departments. Included in the process automations are full transition of applicable insurance requirement tracking and required reference letters to OpenGov. Confirmed reference letters are required at time of proposal submittal and maintained in OpenGov. Included in the Human Services Standardization Initiative are the following templates: Budget Packet, Budget Modification, Expenditure and Revenue Reports. These align with County wide monitoring standards, guided by the Contract Policy Manual, to ensure timeliness, and structure of Contract monitoring.

FINDING NO. 4	**User Access Review** OCCR does not perform documented, periodic user access reviews (UAR) for critical systems, such as the County's requisition system, purchasing accounting system, and network drive, to ensure account profiles remain appropriate for user's job duties, as required by County Policy. At the time of our review, 12 users had not accessed the drive since 2024 and others since 2020. We also noted access to the network drive, which is used to store procurement-related documentation, included 27 (47%) users from non-procurement functions (e.g., Program, Budget, Admin, and HR staff). These access rights should be regularly evaluated to ensure they are necessary for each user's role. Although only active employees can access these systems, periodic reviews are necessary to ensure timely removal of access when job duties change and access is no longer required.
CATEGORY	**Control Finding**

RISK	The lack of periodic user access reviews increases the risk of unauthorized access, inappropriate approvals of purchase requisitions, and fraudulent activity involving contracts, invoices, sensitive data, and payments.
RECOMMENDATION	OCCR management periodically perform formal, documented user access certification reviews for appropriateness to ensure access is restricted to individuals with a direct business need and disabled when no longer required.
MANAGEMENT RESPONSE	**OCCR: Concur.** OCCR will look into establishing a user access review process to ensure permissions under the department's purview remain appropriate and aligned with business needs. The County's procurement function was centralized under the CPO effective 7/1/2025. OCCR defers any reviews or changes to procurement procedures, practices, or policies to CPO as the overseeing authority for that function. **CPO: Concur.** CPO will implement standardized review process for implementation. Responsibility has transitioned to OCCR Procurement and CPO to ensure compliance. CPO will incorporate this review during the last quarter of each fiscal year and to be completed annually prior to June 30. OCCR and CPO currently have checks and balances built into the processing of OC Expediter User Access that requires ARAs be updated with Final Approval permissions, prior to adding that access in OC Expediter. The only staff that have Final Approval without their ARA reflecting that, are those that were grandfathered in prior to requirement. CPO maintains the list and reviews this during their compliance audit/review. OCCR employees cannot access OC Expediter if they do not have Network Access due to being separated from the agency. Former staff without Network Access cannot access OC Expediter, which does not create a risk for Procurement.

FINDING NO. 5	**Business Continuity Plan and Policies & Procedures** OCCR has not established a written business continuity plan (BCP) to ensure the continuation of procurement operations in the event of an emergency or other business disruption. The department indicated that they were in process of developing a BCP through an established workgroup, but a draft plan could not be provided at the time of our review. While the CPO has established a Countywide policy and procedures for the procurement of emergency goods or services, this does not include business continuity plans that are unique to each department, such as emergency reporting structures, communication plans, remote operations, or manual procedures in the event of system outages.

	In addition, although OCCR has documented internal policies and procedures to guide staff in their day-to-day purchasing activities, some procedures may need to be updated or deleted. Specifically, we noted: • OCCR's Emergency Procurement of Goods and Services procedure appears to overlap with existing Countywide procurement policies that provide guidance on the procurement of emergency goods and services. This procedure also does not appear to include any department-specific steps that would support the need for a separate procedure from County policy. OCCR should consider whether the policy needs to be deleted or updated to incorporate department-specific procedures. • OCCR's HR Review for Board of Supervisors (BOS) Services Contracts procedure, which guides staff on how to obtain proper HR review and approval of certain BOS service contracts, does not clearly define which specific contract types fall under the policy. OCCR indicated that the policy is in the process of being revised to update the types of contracts involved that need HR review.
CATEGORY	**Control Finding**
RISK	Lack of a BCP could negatively impact OCCR's ability to continue procurement operations in the event of an emergency or other disruption. In addition, outdated purchasing policies and procedures increase the risk of errors, inefficiencies, and compliance violations with County purchasing rules.
RECOMMENDATIONS	OCCR management: A. Establish a written business continuity plan (BCP). B. Update internal purchasing procedures as noted in the finding. C. Establish a documented process to periodically review and update internal policies and procedures and the BCP.
MANAGEMENT RESPONSE	**OCCR**: A and C: Implemented. Working closely with and under the guidance of OCIT's County Service Continuity Manager, OCCR Administrative Services developed and finalized its Business Continuity Disaster Recovery (BCDR) Plan in March 2026. The BCDR implemented covers continuity plans for procurement and other administrative operations in the event of an emergency or other disruptions. The BCDR will be periodically reviewed and updated as functional areas, staff, or other important elements of the process change. B and C: The County's procurement function was centralized under the CPO effective 7/1/2025. OCCR defers any reviews or changes to procurement procedures, practices, or policies to CPO as the overseeing authority for that function. **CPO: Partially Concur.** Established County emergency procurement requirements are embedded within the Procurement Procedures Manual

	(PPM), Contract Policy Manual (CPM), and the CEO Business Continuity and Disaster Recovery Plan (BCDR). CPO emergency purchasing procedures outlined and formalized in the PPM, CPM and BCDR requirements ensure clarity on emergency purchasing thresholds, documentation standards, and the use of approved emergency procurement guidance. These existing structured emergency procedures mitigate the risk of process errors and ensure compliance during both routine and emergency conditions. **IAD Comment:** OCCR indicated their BCDR plan was finalized after our review period. We will review the BCDR during a future follow-up audit and report our results. In addition, the CPO indicated that procedures are in place to address our recommendation. However, while CPO policies outline emergency procurement requirements, they do not replace the need for updated, department-specific procedures that address unique operational needs and should be routinely reviewed.

AUDIT TEAM		
	Gianne Morgan, CIA, CISA	Senior Audit Manager
	Alejandra Luna	Audit Manager
	Gabriela Cabrera, CIA	Audit Manager

APPENDIX A: ADDITIONAL INFORMATION

OBJECTIVES	A. Evaluate the effectiveness of internal control over the purchasing and contracts process to ensure requisitions and procurement of human services are executed in accordance with County purchasing rules; adequately supported; and properly authorized and recorded. B. Perform a review of selected contract monitoring activities to ensure adequate oversight of contracted services. C. Review the purchasing and contracts process for efficiency.
SCOPE & METHODOLOGY	Our audit scope was limited to internal control over OCCR's purchasing and contracts process for the period of April 1, 2023 through June 30, 2024, including contracts for OCCR's Workforce Innovation and Opportunity Act (WIOA) Program. Our methodology included inquiry, observation, and examination of documentation.

EXCLUSIONS	Our audit scope did not include a review of:
	• Administration over contract types other than human services, services, and commodities including:
	  ○ Leases, which are managed by CEO Real Estate.
	  ○ Architecture & Engineering (A&E) contracts, which are managed by OC Public Works.
	  ○ Cooperative agreements, which are established by the CPO.
	• Comprehensive IT controls over CAPS+ or other IT systems.

PRIOR AUDIT COVERAGE	We issued an audit report for a Board-directed contracts review on February 5, 2025, Audit No. 2425 Risk Assessment and Review of All Orange County American Rescue Plan Act (ARPA) Funded Contracts and Expenditures (September 24, 2024, Board Agenda Item S37E). The assessment, which included a review of OCCR's ARPA-funded contracts, was to determine whether County oversight measures ensured entities used funds in accordance with applicable requirements and to determine whether County departments appropriately conducted program, fiscal, and administrative contract monitoring. This report provides insight on the County's contract monitoring efforts, which is also important to consider as part of the entire purchasing business cycle.

BACKGROUND	OCCR is comprised of six services areas: Community Services, Housing and Community Development, Animal Care, Public Libraries, Parks, and Administrative Services. Within OCCR Administrative Services, the Procurement Services division is responsible for contract administration. During the audit period, OCCR recorded contracts totaling an order amount of approximately **$163.7M,** including public works, services, commodities, human services contracts. These contracts were solicited using various methods as prescribed by County policy, such as Request for Proposals, Invitations for Bids, Sole Sources, and Cooperative Agreements. **Contract Policy Manual and Procurement Procedures Manual** The County Contract Policy Manual (CPM) was adopted by the Board of Supervisors on March 27, 2007. It provides general procurement policy and standards that govern the conduct of the County's procurement activities and of personnel engaged in these activities. The 2021 CPM, which was effective July 1, 2021, was used as the criteria for this audit. The County Procurement Procedures Manual (PPM) was published by the CPO on July 1, 2021. The manual establishes rules and procedures related to the management of the procurement process for commodities and services, and is intended to encourage uniform procedures based on current legislation and internal policy. We considered applicable procedures for this audit. Subsequent to our review, both the CPM and PPM were updated in 2024 and again in 2026 to add several policy enhancements.

PURPOSE & AUTHORITY	We performed this audit in accordance with the FY 2023-24 Audit Plan and Risk Assessment approved by Board of Supervisors (Board).
PROFESSIONAL STANDARDS	Our audit was conducted in conformance with the Global Internal Audit Standards issued by the International Internal Audit Standards Board.
FOLLOW-UP PROCESS	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. The Audit Oversight Committee (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. A Follow-Up Audit Report Form is attached and is required to be returned to the Internal Audit Department approximately six months from the date of this report in order to facilitate the follow-up audit process.
MANAGEMENT'S RESPONSIBILITY FOR INTERNAL CONTROL	In accordance with the Auditor-Controller's County Accounting Manual Section S-2 Internal Control Systems: "All County departments shall establish effective internal controls as department management is responsible for internal control. Department management shall also continuously assess and strengthen internal control by evaluating internal control systems and promptly correcting weaknesses when detected." The criteria for evaluating internal control is the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control – Integrated Framework. Our audit enhances and complements, but does not substitute for department management's continuing emphasis on control activities and monitoring of control risks.
INTERNAL CONTROL LIMITATIONS	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.

APPENDIX B: REPORT ITEM CLASSIFICATION

Critical Control Weakness	Significant Control Weakness	Control Finding
These are audit findings or a combination of audit findings that represent critical exceptions to the audit objective(s) and/or business goals. Such conditions may involve either actual or potential large dollar errors or be of such a nature as to compromise the department's or County's reputation for integrity. Management is expected to address **Critical Control Weaknesses** brought to its attention immediately.	These are audit findings or a combination of audit findings that represent a significant deficiency in the design or operation of internal controls. **Significant Control Weaknesses** require prompt corrective actions.	These are audit findings concerning the effectiveness of internal control, compliance issues, or efficiency issues that require management's corrective action to implement or enhance processes and internal control. **Control Findings** are expected to be addressed within our follow-up process of six months, but no later than twelve months.

APPENDIX C: OC COMMUNITY RESOURCES MANAGEMENT RESPONSE

Docusign Envelope ID: 6D889854-52A4-8CD8-80EB-023D59140A99

DYLAN WRIGHT
DIRECTOR
OC COMMUNITY RESOURCES

MERCY SANTORO
ASSISTANT DIRECTOR
OC COMMUNITY RESOURCES

JOANNE VEEDOR
DIRECTOR
ADMINISTRATIVE SERVICES

MONICA SCHMIDT
DIRECTOR
OC ANIMAL CARE

JULIA BIDWELL
DIRECTOR
OC HOUSING & COMMUNITY DEVELOPMENT

RENEE RAMIREZ
DIRECTOR
OC COMMUNITY SERVICES

PAM PASSOW
DIRECTOR
OC PARKS

SAMANTHA SMITH
COUNTY LIBRARIAN
OC PUBLIC LIBRARIES

OFFICE OF THE DIRECTOR
COUNTY ADMINISTRATION SOUTH
601 N. ROSS STREET, 6TH FLOOR
SANTA ANA, CA 92701
PHONE: 714.480.2788
FAX: 714.480.2899

OC Community Resources

September 28, 2026

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

Dear Mr. Alonso,

RE: Draft Internal Audit Report No. 2304

On September 1, 2026, OC Community Resources (OCCR) received a copy of the Internal Audit Department's draft report for Audit 2304. Below please find OCCR's response to the audit objectives and recommendations, which have been reviewed and approved by the County Executive Office.

Finding 1: Inadequate Contract Monitoring

Recommendation:

OCCR Management ensure:

A. Risk assessments are conducted for all contracts regardless of funding source to establish the level of monitoring required.
B. Review of Single Audit results for federally funded contracts are performed and review is formally documented.
C. Contract monitoring activities, such as site visits and program evaluations, are performed as determined by the risk assessment, or as required by the contract.

Management Response:

A. Risk Assessment (Procurement): Concur. The County's procurement function was centralized under the County Procurement Office (CPO) effective 7/1/2025. OCCR defers any reviews or changes to procurement procedures, practices, or policies to CPO as the overseeing authority for that function.
B. Single Audit (Procurement): Concur. County's procurement function was centralized under the County Procurement Office (CPO) effective 7/1/2025. OCCR defers any reviews or changes to procurement procedures, practices, or policies to CPO as the overseeing authority for that function.
B. Single Audit Reviews (OCCS): Concur. Review of Single Audit results should be performed and documented. For the one contract noted, the third-party CPA firm procured by OCCS to fiscally monitor the contract had overlooked the Single Audit provider finding. OCCS will ensure that all Single Audit provider findings are appropriately reviewed and any appropriate follow-up actions are documented.

Docusign Envelope ID: 6D889854-52A4-8CD8-80EB-023D59140A99

C. Contract Monitoring Activities (OCCS): Partially concur. OCCS completed contract monitoring on-site and issued final monitoring reports for the four contracts noted, however those were completed in 2024 and 2025. These documents have been provided to IAD for reference. OCCS has completed fiscal monitoring for FY 2022-23 for the sampled providers and fiscal monitoring for FY 2023-24 and FY 2024-25 is currently underway. Program monitoring is conducted as a comprehensive review of each contract and is not driven by risk assessment. OCCS will ensure that fiscal and program monitoring is conducted as required by the contract and existing County policy.

Finding 2: Inadequate Consensus Score Documentation

Recommendation:
OCCR management implement a formal review process to ensure that final consensus scores are adequately supported.

Management Response:
The County's procurement function was centralized under the CPO effective 7/1/2025. OCCR defers any reviews or changes to procurement procedures, practices, or policies to CPO as the overseeing authority for that function.

Finding 3: Missing or Incomplete Procurement Documentation

Recommendation:
OCCR management ensure electronic procurement files are standardized and retain the required documentation, which includes properly discarding W-9 forms when not needed, in accordance with CPO requirements. Additionally, OCCR Management ensure the Contract Compliance Checklist is adequately completed and retain the appropriate documentation for each human services contract.

Management Response:
The County's procurement function was centralized under the County Procurement Office (CPO) effective 7/1/2025. OCCR defers any reviews or changes to procurement procedures, practices, or policies to CPO as the overseeing authority for that function.

Docusign Envelope ID: 6D889854-52A4-8CD8-80EB-023D59140A99

Finding 4: User Access Review

Recommendation:
OCCR management periodically perform formal, documented user access certification reviews for appropriateness to ensure access to restricted to individuals with direct business need and disabled when no longer required.

Management Response:
Concur. OCCR will look into establishing a user access review process to ensure permissions under the department's purview remain appropriate and aligned with business needs. The County's procurement function was centralized under the County Procurement Office (CPO) effective 7/1/2025. OCCR defers any reviews or changes to procurement procedures, practices, or policies to CPO as the overseeing authority for that function

Objective 5: Business Continuity Plan and Policies & Procedures

Recommendation:
OCCR management:

A. Establish a written business continuity plan (BCP).
B. Update internal purchasing procedures as noted in the finding.
C. Establish a documented process to periodically review and update internal policies and procedures and the BCP.

Management Response:
A+C: Implemented. Working closely with and under the guidance of OCIT's County Service Continuity Manager, OCCR Administrative Services developed and finalized its Business Continuity Disaster Recovery (BCDR) Plan in March 2026. The BCDR implemented covers continuity plans for procurement and other administrative operations in the event of an emergency or other disruptions. The BCDR will be periodically reviewed and updated as functional areas, staff, or other important elements of the process change.

B+C. The County's procurement function was centralized under the County Procurement Office (CPO) effective 7/1/2025. OCCR defers any reviews or changes to procurement procedures, practices, or policies to CPO as the overseeing authority for that function.

Sincerely,

Signed by:
Dylan Wright
D6EA631B0880496...

Dylan Wright, OC Community Resources Director

9/28/2026
Date

APPENDIX D: COUNTY PROCUREMENT OFFICE MANAGEMENT RESPONSE

Docusign Envelope ID: 5CB43DFD-90B9-81B3-8218-B83443709F5C

County of Orange
California

Maria Agrusa, MBA
County Procurement Officer

Juan Corral, MBA, MPA, MS I/O
Procurement Contract Assistant
Deputy Director

Janinne Boutte, MPA
Procurement Contract Assistant
Deputy Director

County Executive Office
County Procurement Office

County Administration North
400 W Civic Center Drive
5th Floor
Santa Ana, CA 92701

Tel: (714) 567-7314
Fax: (714) 567-5057
Email: cpo@ceo.oc.gov
www.ocgov.com

September 30, 2026

Aggie Alonso, CPA, CIA, CRMA

Internal Audit Department Director

Re: Draft Internal Audit Report No. 2304

Dear Mr. Alonso:

The County Procurement Office (CPO) acknowledges receipt of the draft audit report on Audit Report No. 2304 Internal Control Audit: OC Community Resources Purchasing & Contracts for the period of April 1, 2023, through June 30, 2024. Please see the concurrence/partial concurrence for each finding below and additional information/corrective action. As noted in the CPO Response, most findings have been corrected through recent procurement centralization and standardization initiatives.

Finding No. 1 Inadequate Contract Monitoring - Concur

Recommendation:

OCCR management ensure:

A. Risk assessments are conducted for all contracts regardless of funding source to establish the level of monitoring required.

B. Review of Single Audit results for federally funded contracts are performed and review is formally documented.

C. Contract monitoring activities, such as site visits and program evaluations, are performed as determined by the risk assessment, or as required by the contract.

CPO Response:

Human Services Standardization Initiative

The County's Human Services Standardization Initiative strengthens corrective actions in sections A, B-1, B-2, and C by standardizing procurement, audit-review, and contract-monitoring practices across human services departments. This ensures consistent processes, clearer documentation, and improved compliance.

Docusign Envelope ID: 5CB43DFD-90B9-81B3-8218-B83443709F5C

County of Orange
California

Maria Agrusa, MBA
County Procurement Officer

Juan Corral, MBA, MPA, MS I/O
Procurement Contract Assistant
Deputy Director

Janinne Boutte, MPA
Procurement Contract Assistant
Deputy Director

The initiative supports procurement centralization under CPO by establishing uniform workflows that OCCR has adopted in coordination with CPO. Standardized audit procedures help ensure Single Audit findings are consistently identified, reviewed, and documented. Combined with the Contract Policy Manual, the initiative implements countywide monitoring standards to improve the structure, timeliness, and consistency of fiscal and program monitoring. Overall, it provides unified processes and tools that reduce variability and reinforce existing corrective actions.

In addition, as part of the comprehensive CPO DPA training curriculum, Contractor Compliance Monitoring training was provided to all DPAs on January 9, 2025. Covered topics in the training included: Uniform Guidance requirements, due diligence process, single audit review and requirement, insurance review, pre award risk assessment/annual risk assessment best practices, annual site visits, annual performance evaluations, contractor noncompliance, and contract administration.

2026 Contract Policy Manual Contract Monitoring Components

1. Contract monitoring: Provides post-award oversight of compliance, deliverables, productivity, fiscal responsibility, and records maintenance to ensure services and commodities meet all contractual and regulatory requirements.
2. Pre-Award Risk Assessment: Conducted before contract execution to identify contractor or subrecipient risks and determine appropriate monitoring levels.
3. Annual Risk Assessment: Performed each year to reassess contractor risk and adjust monitoring frequency and depth.
4. Monitoring requirements vary by service type and funding source. Contracts funded by federal or state programs must comply with applicable regulations, including Uniform Guidance, and specify required monitoring activities.
5. All contracts must require contractors to maintain active registration status with all applicable federal, state, and local entities for the full contract term. DPAs verify status before execution, and the County confirms it annually thereafter.

County Executive Office
County Procurement Office

County Administration North
400 W Civic Center Drive
5th Floor
Santa Ana, CA 92701

Tel: (714) 567-7314
Fax: (714) 567-5057
Email: cpo@ceo.oc.gov
www.ocgov.com

Docusign Envelope ID: 5CB43DFD-90B9-81B3-8218-B83443709F5C

County of Orange
California

Maria Agrusa, MBA
County Procurement Officer

Juan Corral, MBA, MPA, MS I/O
Procurement Contract Assistant
Deputy Director

Janinne Boutte, MPA
Procurement Contract Assistant
Deputy Director

Finding No. 2 Inaccurate Evaluation Panel Score Sheets - Partial Concurrence

Recommendation:

OCCR management implement a formal review process to ensure evaluation panel member scoring sheets are accurately recorded in the evaluation final score summary forms reported on the Agenda Staff Reports, including documenting any scoring adjustments during the consensus process.

CPO Response:

The County Procurement Office's Procurement Procedures Manual (PPM) outlines the required steps for evaluation committee meetings, including the process for managing score variances. Specifically, the PPM requires evaluators to discuss any variance greater than 25% between individual scores for the same criterion. Following this required discussion, each evaluator finalizes their score. These finalized scores, not the preliminary drafts, represent the official results of the committee's evaluation and are the only versions that should be retained in the procurement file and included in ASR attachments.

Additionally, County Procurement Office has trained all DPAs on and implemented standardized Individual Scoring Sheets that provide scoring parameters for evaluators and an Evaluation Variance Identifier tool that automatically identifies evaluator scores that exceed 25% variance per evaluation criteria, flags these scores for discussion, automatically calculates point allocation for cost, preference policy point allocation when applicable, and final results.

Finding No. 3 Missing or Incomplete Procurement Documentation - Concur

Recommendation:

OCCR management ensure electronic procurement files are standardized and retain the required documentation, which includes properly discarding W-9 forms when not needed, in accordance with CPO requirements. Additionally, OCCR management ensure the Contract Compliance Checklist is adequately completed and retain the appropriate documentation for each human services contract.

CPO Response:

Since the initiation of this audit and as result of the procurement centralization, CPO has implemented several process automations as well as the implementation of the Human Services Standardization Initiative to address the missing or incomplete audit finding. Combined, they establish consistent

County Executive Office
County Procurement Office

County Administration North
400 W Civic Center Drive
5th Floor
Santa Ana, CA 92701

Tel: (714) 567-7314
Fax: (714) 567-5057
Email: cpo@ceo.oc.gov
www.ocgov.com

Docusign Envelope ID: 5CB43DFD-90B9-81B3-8218-B83443709F5C

County of Orange
California

Maria Agrusa, MBA
County Procurement Officer

Juan Corral, MBA, MPA, MS I/O
Procurement Contract Assistant
Deputy Director

Janinne Boutte, MPA
Procurement Contract Assistant
Deputy Director

County Executive Office
County Procurement Office

County Administration North
400 W Civic Center Drive
5th Floor
Santa Ana, CA 92701

Tel: (714) 567-7314
Fax: (714) 567-5057
Email: cpo@ceo.oc.gov
www.ocgov.com

procurement, audit-review, and contract-monitoring practices across all human services departments.

Included in the process automations are full transition of applicable insurance requirement tracking and required reference letters to OpenGov. Confirmed reference letters are required at time of proposal submittal and maintained in OpenGov.

Included in the Human Services Standardization Initiative are the following templates: Budget Packet, Budget Modification, Expenditure and Revenue Reports. These align with County wide monitoring standards, guided by the Contract Policy Manual, to ensure timeliness, and structure of Contract monitoring.

Finding No. 4 User Access Review - Concur

Recommendation:

OCCR management periodically perform formal, documented user access certification reviews for appropriateness to ensure access is restricted to individuals with direct business need and disabled when no longer required.

CPO Response:

CPO will implement standardized review process for implementation. Responsibility has transitioned to OCCR Procurement and CPO to ensure compliance. CPO will incorporate this review during the last quarter of each fiscal year and to be completed annually prior to June 30.

OCCR and CPO currently have checks and balances built into the processing of OC Expediter User Access that requires ARAs be updated with Final Approval permissions, prior to adding that access in OC Expediter. The only staff that have Final Approval without their ARA reflecting that, are those that were grandfathered in prior to requirement. CPO maintains the list and reviews this during their compliance audit/review.

OCCR employees cannot access OC Expediter if they do not have Network Access due to being separated from the agency. Former staff without Network Access cannot access OC Expediter, which does not create a risk for Procurement.

Docusign Envelope ID: 5CB43DFD-90B9-81B3-8218-B83443709F5C

County of Orange
California

Maria Agrusa, MBA
County Procurement Officer

Juan Corral, MBA, MPA, MS I/O
Procurement Contract Assistant
Deputy Director

Janinne Boutte, MPA
Procurement Contract Assistant
Deputy Director

Finding No. 5 Business Continuity Plan and Policies & Procedures – Partial Concurrence

Recommendation:

OCCR management:

A. Establish a written business continuity plan (BCP).

B. Update internal purchasing procedures as noted in the finding.

C. Establish a documented process to periodically review and update internal policies and procedures and the BCP.

CPO Response:

Established County emergency procurement requirements are embedded within the Procurement Procedures Manual (PPM), Contract Policy Manual (CPM), and the CEO Business Continuity and Disaster Recovery Plan (BCDR).

CPO emergency purchasing procedures outlined and formalized in the PPM, CPM and BCDR requirements ensure clarity on emergency purchasing thresholds, documentation standards, and the use of approved emergency procurement guidance. These existing structured emergency procedures mitigate the risk of process errors and ensure compliance during both routine and emergency conditions.

Sincerely,

DocuSigned by:
Maria Agrusa
CE307A17F2D949C...

Maria Agrusa,

County Procurement Officer

County Executive Office
County Procurement Office

County Administration North
400 W Civic Center Drive
5th Floor
Santa Ana, CA 92701

Tel: (714) 567-7314
Fax: (714) 567-5057
Email: cpo@ceo.oc.gov
www.ocgov.com