



# Internal Audit Department

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

## AUDIT HIGHLIGHT

## JANUARY 9, 2013

### INTERNAL CONTROL AUDIT SOCIAL SERVICES AGENCY CONTRACT PAYMENTS AND FISCAL MONITORING Audit No. 1224

#### WHY IS THIS AUDIT IMPORTANT?

Social Services Agency/Contract and Grant Services administered **341 human services contracts totaling \$85 million, and processed \$39 million in contract payments** during FY 2011-12. These human services contracts are for Adult Services and Assistance Programs, Children and Family Services, and Family Self-Sufficiency Services, many of which contain multiple funding sources and distinctly different programs. Contract providers include hospitals, clinics, educational institutions, and both for-profit and non-profit community based programs. SSA/Contract and Grant Services is responsible for developing, soliciting, negotiating, and administering human services contracts for the agency. SSA/Contract and Grant Services also administers the solicitation and coordination of external audit firms to conduct fiscal monitoring of SSA contractors. Annual external independent audits are conducted on the contract providers to ensure contract and fiscal compliance. During FY 2011-12, **39 contract and fiscal compliance audits** were completed.

#### WHAT THE AUDITORS FOUND?

##### Successes

Our audit found internal controls over the contract payment process are adequate and provide assurance that payments are authorized, valid, timely, and comply with contract terms and with County and SSA policies. Our audit found fiscal monitoring audits are performed by external audit firms to help ensure the propriety of program expenditures. However, these audits are backlogged, conducted after the contract period ends and do not provide timely monitoring. Except for a backlog in fiscal monitoring audits, we found the contract payment process is efficient and effective (e.g., no duplication of work or manual processes that could benefit from automation).

##### Audit Findings and Control Recommendations

We identified **one (1) Significant Control Weakness** and **two (2) Control Findings** to enhance processes and controls by establishing written policies and procedures over contract payments and fiscal monitoring; documenting payment processing timeframes; and addressing the two-year time lag in conducting fiscal monitoring audits of contractors.