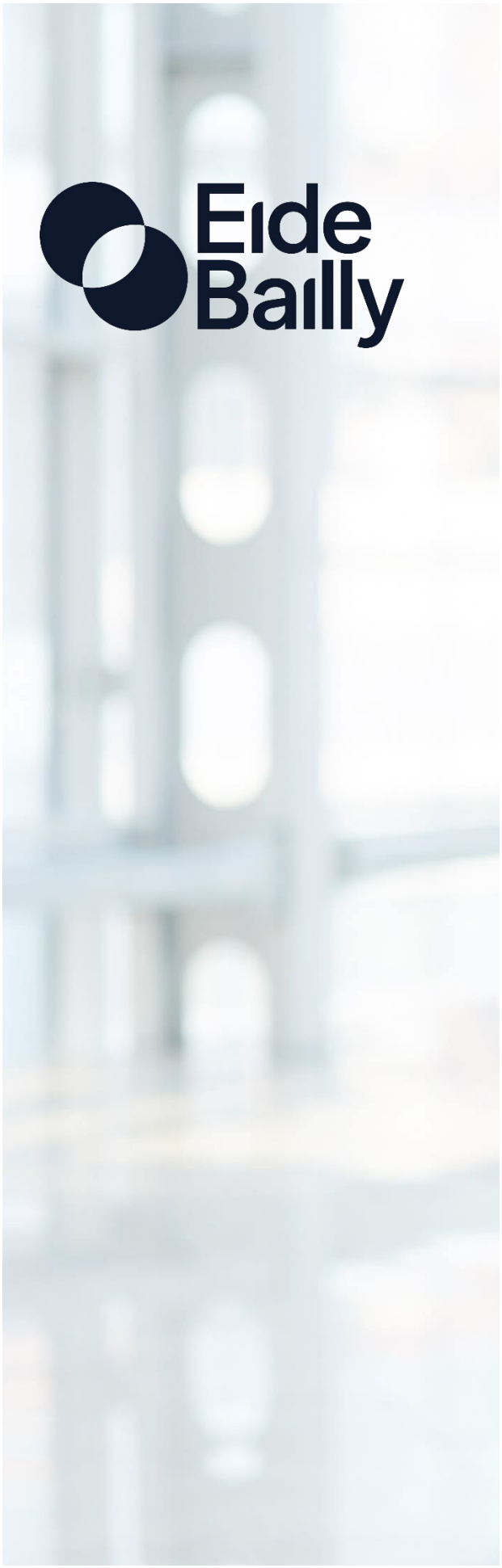

COUNTY OF SAN DIEGO, CALIFORNIA

THIRD-PARTY RISK MANAGEMENT AND DESIGN CONSULTING SERVICES

Mrs. Tracy Drager
Auditor and Controller
County of San Diego

Mrs. Drager:

We have performed the procedures summarized on the following pages related to the County of San Diego's (County) overall governance program with respect to third-party entities that receive funds from the County.

The County has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of providing feedback through observations and recommendations to the County on its governance with respect to third-party entities at the point in time we performed our procedures. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

This engagement was performed under the Statements on Standards for Consulting Services issued by the American Institute of Certified Public Accountants ("AICPA"). Our procedures do not constitute an audit, examination, review, compilation or financial statement preparation services for any historical or prospective financial information or provide attestation services or assurance under the AICPA Statements on Standards for Attestation Engagements and we assume no responsibility for any such information.

The detailed nature of the services provided, our observations, and our recommendations are provided on the subsequent pages.

This report is intended solely for the information and use of the County (as well as others deemed appropriate by the County) in evaluating the County's overall governance program with respect to third-party entities that receive funds from the County and is not intended to be and should not be used by anyone other than these specified parties.

Eide Bailly LLP

Reno, Nevada
June 24, 2026

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Executive Summary

We were engaged by the County of San Diego to assess the design of its third-party contract management governance practices and identify opportunities to strengthen oversight, consistency, and accountability. This report summarizes the results of that effort, which focused on countywide practices and the Health and Human Services Agency (HHSA), including Behavioral Health Services (BHS).

Overall, the County has established a sound procurement foundation with defined selection procedures, approval authorities, and training infrastructure. However, the post-award contract monitoring environment is more decentralized and unevenly applied across departments. As a result, the County has an opportunity to move from a collection of department-level practices to a more cohesive enterprise governance model that better aligns monitoring expectations, documentation, reporting, and accountability with contract risk.

Our recommendations are grounded in recognized internal control principles and are intended to support both compliance and operational effectiveness. In particular, the report emphasizes practical enhancements that can help the County standardize minimum expectations, improve risk-based oversight, strengthen documentation and information sharing, and better position leadership to monitor performance and respond to emerging issues across the contract lifecycle.

The assessment was developed with reference to the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control—Integrated Framework and the U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government* (the Green Book). These frameworks provide the structure for evaluating governance, risk assessment, control activities, information and communication, and monitoring activities across both countywide operations and HHSA.

Assessment Recommendations

The report contains recommendations designed to strengthen the County's third-party contract management governance program. While the observations vary across countywide operations and HHSA, the recommendations consistently point to the need for stronger standardization, clearer accountability, and a more deliberate risk-based approach to monitoring. The most significant themes are summarized below.

Key Recommendations

Countywide

- Establish an enterprise-level contract monitoring framework that defines minimum expectations for risk assessment, documentation, oversight, and communication while allowing departments to tailor practices based on program needs and contract complexity.
- Adopt a more clearly differentiated, risk-based monitoring model so that oversight activities align with contract type, dollar value, regulatory exposure, service delivery risk, and overall complexity.
- Assign formal enterprise responsibility for contract monitoring governance, including guidance, escalation, cross-department coordination, and reporting of systemic performance and compliance issues to leadership.
- Standardize documentation practices, approved systems usage, and records management requirements so monitoring evidence is complete, reliable, and accessible across the contract lifecycle.
- Strengthen training, performance evaluation, and periodic monitoring reviews to improve accountability, promote consistency across departments, and support continuous improvement of contract oversight practices.

Health and Human Services Agency (HHSA)

- HHSA has a defined monitoring framework with documented policies, standardized tools, and established expectations for Contracting Officer's Representatives (COR); however, execution would benefit from more visible review controls over completion of monitoring activities.
- Improved coordination of template changes and clearer transition guidance would reduce operational disruption and support more consistent execution by CORs.
- Further standardization of site visit methodology would improve consistency, comparability, and reliability of monitoring information across HHSA programs.

Overall

- Taken together, the recommendations are intended to help the County build a more consistent, risk-informed, and sustainable contract governance program. Countywide, the greatest opportunity lies in establishing enterprise standards and stronger cross-department oversight. Within HHSA, the opportunity is to refine an established framework by improving consistency in execution, review, and documentation. Implementation of these recommendations would support stronger stewardship of public funds, transparency, and management of third-party performance and compliance over time.

Overview of Services Performed

We were engaged by the County to provide consulting services related to the County's overall governance program for third-party contract management. The County asked that we provide feedback on two functional areas:

- Countywide
- Health and Human Services Agency

The objective of these services was to obtain an understanding of the current processes in place and identify opportunities for improvement. Accordingly, our recommendations are aligned to recognized control frameworks and leading practices rather than limited to minimum compliance requirements.

Methodology. Our assessment included a request for policies, procedures, and other materials related to the County's third-party contract operations. In addition, interviews and walkthroughs were conducted with staff at various levels of responsibility and leadership across the County to obtain information about existing processes and practices. The information obtained through these procedures was used to develop observations and recommendations.

Policy and Procedure Review. The policies and procedures reviewed as part of our engagement are listed below.

Countywide Assessment

- A-81 Procurement of Contract Services
- A-87 Competitive Procurement
- COR Academy Training Schedule
- COR I Training Slides
- COR II Training Slides
- COR Refresh Training Guide
- Administrative Manual Item Number 0090-01 Subject: County Contracting
- Purchasing Procedures Guidebook
    - P603 – Contractor Compliance Verification
    - P604 – Contract Dispute Resolution
    - P605 – Contract Suspension or Termination
    - P606 – Surplus Personal Property Disposition

Health and Human Services Agency (HHSA)

- Contract Administrative Management
  - HHSA-G-1.1 Responsibilities for Managing Agreements
  - HHSA-G-1.4 Procurement Management and Reporting
  - Procedures for HHSA-G-1.4 Procurement Management and Reporting
  - HHSA-G-1.4 Attachment B Request for Information (RFI) Planning Form Instructions
  - HHSA-G-1.4 Attachment C HHSA procurement Planning Form (HHSA PPF)
  - HHSA-G-1.4 Attachment C Procurement Planning Form (HHSA-PPF) Instructions
  - HHSA-G-1.5 Contract Administration Management System (CAMS)
  - HHSA-G-1.6 Internal Quality Control of HHSA Contracting Processes
  - HHSA-G-1.7 Board Letters, Categorical Exemption and Single Source Exception Requests
  - HHSA-G-1.7 Attachment A Single Source Process Flowchart
  - HHSA-G-1.8 HHSA Contract Managers Leadership Team (CMLT) and Contracts Threading Group (CTG)
  - HHSA-G-1.9 HHSA Agreements
  - HHSA-G-1.9 Attachment B Agreement Template Instructions (2026 v1)
  - HHSA-G-1.9 Attachment D Agreement Flowchart (2026 v1)
- Contract Procurement
  - HHSA-G-3.1 RFP Authority and Solicitation Process
  - HHSA-G-3.1 Attachment A HHSA RFP Process Flowchart
  - HHSA-G-3.3 Statement of Work – Elements, Goals, and Objectives
  - HHSA-G-3.4 Source Selection Authority (SSA)
  - HHSA-G-3.5 Source Selection Committees (SSCs)
  - Procedures for Policy HHSA-G-3.5 Source Selection Committees (SSCs)
  - HHSA-G-3.5 Attachment D SSC Reporting Routing Flowchart
  - HHSA-G-3.9 Post-Award Activities
  - Procedures for HHSA-G-3.9 Post-Award Activities
  - HHSA-G-3.10 Contract Template Changes
  - HHSA-G-3.12 Criminal Background Checks
  - Procedures for Policy HHSA-G-3.12 Criminal Background Checks
  - HHSA-G-3.14 Exclusion, Debarment, and Medi-Cal (EDM) Screenings
  - Procedures for Policy HHSA-G-3.14 Exclusion, Debarment, and Medi-Cal (EDM) Screenings
- Contract Administration/Monitoring
  - HHSA-G-4.1 Reference Requests for Providers and Community Partners
  - Procedures for Policy HHSA-G-4.1 Reference Requests for Providers and Community Partners
  - HHSA G-4.2 Monitoring Assessment
  - Procedures for Policy HHSA-G-4.2 Monitoring Assessment
  - HHSA-G-4.2 Attachment A Monitoring Assessment Factors
  - HHSA-G-4.2 Attachment B Monitoring Assessment Factors Guide to Locating Information for Each Factor
  - HHSA G-4.2 Attachment C Monitoring Assessment
  - HHSA-G-4.3 Monitoring Plan
  - Procedures for Policy HHSA-G-4.3
  - HHSA-G-4.5 Provider Orientation
  - Procedures for Policy HHSA-G-4.5 Provider Orientation
  - HHSA-G-4.6 Monitoring Activities

- Procedures for Policy HHSA-G-4.6 Monitoring Activities
- HHSA-4-6 Attachment A Sample Monitoring Activity Cover Sheet
- HHSA-G-4.7 Corrective Action Notices (CANs) and the Contract Risk Report (CRR)
- HHSA-G-4.7 Attachment D Addressing Compliance Concerns with the Scale of Progressive Corrective Action
- HHSA-G-4.8 Office of Management and Budget (OMB) 2 CFR 200 (Uniform Guidance) Compliance
- HHSA-G-4.10 HHSA Agreement Audit Assessment
- HHSA-G-4.11 HHSA Agreement Audits
- HHSA-G-4.12 HHSA Agreement Special Audits
- HHSA-G-4.14 Contract Budget and Payment Term Changes
- HHSA-G-4.16 Invoice Review Process
- Procedures for Policy HHSA-G-4.16 Invoice Review Process

Interviews and Walkthroughs. With respect to interviews and walkthroughs, we performed the following:

Countywide Assessment

- Walkthrough of processes and internal controls related to the contractor selection process
  - Interviews of personnel at different authority levels within the County
  - Walkthrough examples of completed selections
  - Comparison of procedures performed to policies and procedures
- Walkthrough of processes and internal controls related to post-award contract monitoring, such as:
  - Interviews of personnel involved with contract management at different authority levels within the County.
  - Review documentation of monitoring maintained.

Health and Human Services Agency (HHSA)

- Walkthrough of processes and internal controls related to the contractor selection process
  - Interviews of personnel at different authority levels within HHSA
  - Walkthrough examples of completed selections
  - Comparison of procedures performed to policies and procedures
- Walkthrough of processes and internal controls related to post-award contract monitoring of third-party entities, such as:
  - Interviews of personnel at different authority levels within HHSA
  - Review of monitoring policies and procedures
  - Review of risk assessment documentation
  - Review monitoring activities and related documentation

Overall

Detailed walkthroughs and interviews were conducted with over 26 contacts from 23 departments. These consisted of the following departments:

1. Purchasing and Contracting
2. Office of the Auditor and Controller
3. County Counsel
4. County Technology Office
5. Public Works - Road Services

6. Public Works
7. Purchasing – IS Revolving
8. Parks and Recreation
9. Planning and Development Services
10. Probation
11. San Diego County Sheriff's Department
12. Office of Emergency Services
13. General Services – Fleet Management
14. General Services – Facilities Management
15. HHSA – Aging and Independence Services
16. HHSA – Behavioral Health Services
17. HHSA – Child and Family Well-Being
18. HHSA – Department of Strategy and Community Engagement
19. HHSA – Housing and Community Development Services
20. HHSA – Medical Care Services
21. HHSA – Public Health Services
22. HHSA – Self Sufficiency Services
23. HHSA – Support Services

Best Practice Review. The procedures performed, observations noted, and recommendations presented in this report with respect to third-party contractor selection and subsequent contract monitoring were developed with reference to the COSO Internal Control—Integrated Framework and the Green Book. Both COSO and the Green Book are organized around five integrated components—Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring Activities. These frameworks were used to support a consistent, structured assessment of internal control and to inform the resulting observations and recommendations.

The five interrelated components collectively support an effective system of internal control. The **Control Environment** establishes the foundation for internal control through the organization's commitment to integrity, ethical values, governance oversight, organizational structure, and assignment of authority and responsibility. **Risk Assessment** involves the identification and analysis of risks to the achievement of objectives, including consideration of internal and external factors, to determine how risks should be managed. **Control Activities** are the policies, procedures, and mechanisms established to help ensure management directives are carried out and risks are mitigated, such as approvals, authorizations, reconciliations, and segregation of duties. **Information and Communication** focuses on obtaining, producing, and communicating relevant, timely, and reliable information necessary to support the functioning of internal control, both internally and externally. **Monitoring Activities** consist of ongoing and separate evaluations used to determine whether each component of internal control is present and functioning, with identified deficiencies communicated and addressed in a timely manner.

Use of the COSO Internal Control—Integrated Framework and the GAO Green Book provides a principles-based structure for evaluating control design and operating effectiveness in a public-sector and compliance context. These frameworks organize the assessment around governance, risk management, control activities, information and communication, and monitoring activities rather than around isolated procedures. Applying these frameworks supports a consistent basis for identifying observations and developing recommendations relevant to the County's contract governance environment.

Recommendations. The following pages summarize the observations and recommendations organized by internal control principle and assessment area.

Control Environment (CE)

Sets the tone of an organization influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure.

CE Key Principle #1 – Demonstrate Commitment to Integrity and Ethical Values

The oversight body and management should demonstrate a commitment to integrity and ethical values.

Points of Focus:

The following points of focus highlight important characteristics relating to this principle:

- **Sets the Tone at the Top**—The board of supervisors and management at all levels of the entity demonstrate through their directives, actions, and behavior the importance of integrity and ethical values to support the functioning of the system of internal control.
- **Establishes Standards of Conduct**—The expectations of the board of supervisors and senior management concerning integrity and ethical values are defined in the entity's standards of conduct and understood at all levels of the organization and by outsourced service providers and business partners.
- **Evaluates Adherence to Standards of Conduct**—Processes are in place to evaluate the performance of individuals and teams against the entity's expected standards of conduct.
- **Addresses Deviations in a Timely Manner**—Deviations from the entity's expected standards of conduct are identified and remedied in a timely and consistent manner.

Observations

Countywide (CW)

- Policies related to procurement were available and establish an expectation of competitive procurement.
- There are clear roles and responsibilities related to the roles within the procurement process to maintain procurement integrity.
- Interviews indicated that leadership participates in training initiatives and has discussed the potential for countywide communications to increase awareness of contract monitoring challenges. Interview participants also referenced interest in aligning monitoring practices with recognized control frameworks and leading practices.
- Based on interviews conducted, County leadership and management described an emphasis on learning, transparency, and continuous improvement related to contract procurement, governance, and oversight practices at the countywide level. Interview participants also discussed existing challenges and identified areas where policies, training, and governance structures could be strengthened to support more consistent contract monitoring (see recommendation).
- During our review of countywide policies and procedures, we noted the absence of countywide policies related to contract monitoring governance (see recommendation).

Health and Human Services Agency (HHSA)

- Policies and governance materials reviewed establish expectations related to integrity, transparency, and conduct in the contract selection process.
- The policies reviewed emphasize impartial decision-making and compliance with applicable laws, regulations, and County policies when selecting contractors.
- The documents reviewed indicate that expectations related to ethical conduct, fairness, and accountability are reflected in procurement policies, delegated authority structures, and governance oversight.

- Established roles, responsibilities, and oversight mechanisms are intended to promote accountability throughout the contract lifecycle.
- The policies reviewed extend expectations for conduct and accountability beyond contract award to administration and monitoring activities, including performance oversight and issue resolution.
- The practices reviewed provide for compliance with contractual terms, documentation of monitoring activities, and escalation of concerns through defined processes.

Recommendations

Countywide (CW)

- The County should formally adopt countywide policies, procedures, and governance practices related to post-award contract monitoring to establish documented expectations for the contract lifecycle. These should include countywide minimum monitoring requirements, standards of conduct, conflict-of-interest considerations, and expectations for contractor interaction.

Health and Human Services Agency (HHSA)

- No recommendations were identified for this principle specific to HHSA from our procedures focused on HHSA.

CE Key Principle #2 – Exercise Oversight Responsibility

The oversight body should oversee the entity's internal control system.

Points of Focus:

The following points of focus highlight important characteristics relating to this principle:

- **Establishes Oversight Responsibilities**—The oversight body identifies and accepts its oversight responsibilities in relation to established requirements and expectations.
- **Applies Relevant Expertise**—The oversight body defines, maintains, and periodically evaluates the skills and expertise needed among its members to enable them to ask probing questions of senior management and take commensurate actions.
- **Operates Independently**—The oversight body has sufficient members who are independent from management and objective in evaluations and decision making.
- **Provides Oversight for the System of Internal Control**—The oversight body retains oversight responsibility for management's design, implementation, and conduct of internal control:
    - *Control Environment Establishing* integrity and ethical values, oversight structures, authority and responsibility, expectations of competence, and accountability to the board.
    - *Risk Assessment Overseeing* management's assessment of risks to the achievement of objectives, including the potential impact of significant changes, fraud, and management override of internal control.
    - *Control Activities Providing* oversight to senior management in the development and performance of control activities.
    - *Information and Communication Analyzing* and discussing information relating to the entity's achievement of objectives.
    - *Monitoring Activities Assessing* and overseeing the nature and scope of monitoring activities and management's evaluation and remediation of deficiencies.

Observations

Countywide (CW)

- Countywide procurement policy delineates procurement methods and approval authorities, including circumstances in which oversight body approval is required, establishing oversight at specified decision points.
- The processes reviewed indicate that roles and responsibilities for contract selection are defined and that oversight mechanisms exist to support compliance with applicable laws, regulations, and County procurement requirements. Interview participants also indicated awareness of assigned procurement and contracting responsibilities.
- We observed that the responsibility for establishing monitoring expectations, issuing guidance, and resolving cross-departmental contract oversight issues has not been formally assigned to a single function or governing body but instead has been decentralized to individual departments (see recommendation).
- Communication regarding contract monitoring requirements occurs in part through countywide training, such as the COR Academy; however, responsibility for designing and implementing monitoring practices remains with individual departments rather than through a formal countywide governance mechanism (see recommendation).
- In the absence of clearly defined roles, responsibilities, and escalation pathways, issues related to contract performance, compliance, or interpretation of requirements may not be consistently elevated or addressed at a countywide level (see recommendation).
- Communication regarding monitoring results and contractor performance issues primarily occurs at the departmental level, with no formal countywide reporting mechanisms in place (see recommendation).
- In the absence of structured communication and reporting mechanisms, leadership may have limited visibility into countywide trends, coordinated responses, and differences in departmental monitoring practices (see recommendation).
- Current contract compliance and oversight functions operate within an operational department rather than reporting through the County's central oversight structure, limiting the integration of their activities into countywide risk assessment and assurance coordination which could lead to contract risks, compliance concerns, and systemic control weaknesses identified by those functions to not be consistently elevated or considered alongside other enterprise-level assurance activities (see recommendation).
- There is no countywide contract oversight or compliance function operating at the enterprise-level to assist with identifying contract risks, compliance concerns, or control weaknesses that may exist across departments (see recommendation).

Health and Human Services Agency (HHSA)

- The governance structures, policies, and delegated authorities reviewed provide for oversight of internal controls related to contract selection.
- Oversight activities described in the policies reviewed are intended to support compliance with applicable laws, regulations, and County policies governing procurement and contracting. The processes reviewed indicate that roles and responsibilities for contract selection are defined, and interview participants indicated awareness of assigned procurement and contracting responsibilities.
- Defined reporting practices, monitoring expectations, and accountability mechanisms provide a framework for administering contracts in accordance with contractual terms and County requirements. Interview participants also described escalation pathways for identified corrective actions.

Recommendations

Countywide (CW)

- The County should formally assign responsibility and authority for enterprise-level contract monitoring governance to a designated function or governing body responsible for issuing guidance, maintaining standard policies and tools, facilitating cross-departmental coordination, and ensuring consistent elevation of contract performance and compliance issues.
- The County should establish structured, countywide communication and reporting mechanisms to share contract monitoring results, vendor performance concerns, emerging risks, and systemic issues, enabling leadership to identify trends and coordinate oversight responses at the enterprise-level.

Health and Human Services Agency (HHSA)

- No recommendations were identified for this principle specific to HHSA from our procedures focused on HHSA.

CE Key Principle #3 – Establish Structure, Authority, and Responsibility

Management should establish an organizational structure, assign responsibility, and delegate authority to achieve the entity's objectives.

Points of Focus:

The following points of focus highlight important characteristics relating to this principle:

- **Considers All Structures of the Entity**—Management and the board of supervisors consider the multiple structures used (including operating units, legal entities, geographic distribution, and outsourced service providers) to support the achievement of objectives.
- **Establishes Reporting Lines**—Management designs and evaluates lines of reporting for each entity structure to enable execution of authorities and responsibilities and flow of information to manage the activities of the entity.
- **Defines, Assigns, and Limits Authorities and Responsibilities**—Management and the board of supervisors delegate authority, define responsibilities, and use appropriate processes and technology to assign responsibility and segregate duties as necessary at the various levels of the organization:
    - *Board of supervisors Retains* authority over significant decisions and reviews management's assignments and limitations of authorities and responsibilities
    - *Senior Management Establishes* directives, guidance, and control to enable management and other personnel to understand and carry out their internal control responsibilities
    - *Management Guides* and facilitates the execution of senior management directives within the entity and its subunits
    - *Personnel Understands* the entity's standard of conduct, assessed risks to objectives, and the related control activities at their respective levels of the entity, the expected information and communication flow, and monitoring activities relevant to their achievement of objectives
    - *Outsourced Service Providers Adheres* to management's definition of the scope of authority and responsibility for all non-employees engaged

Observations

Countywide (CW)

- The County's procurement governance framework includes defined roles, responsibilities, and delegated authority for procurement activities through the Department of Purchasing and Contracting (DPC) and related competitive procurement policies.
- The policies reviewed define approval thresholds, procurement methods, and oversight roles intended to support transparency, consistency, and compliance with applicable requirements in the County's contracting process.
- Within the procurement process there is clear indication of procurement methods and approval authorities along with the implementation of contract procurement software that standardizes the procurement process.
- Based on policy review and interviews, the procurement process includes defined responsibilities intended to support fair and transparent procurement. Interview participants described the use of a Source Selection Committee (SSC) for competitive negotiated procurements, such as Requests for Proposals (RFPs) and Qualifications-Based Selections (QBS), in accordance with Board of Supervisors Procurement Policy. The SSC is appointed by the Source Selection Authority (SSA), typically designated by the requesting department head. The committee includes voting members who evaluate, score, and reach consensus on proposals and recommend a vendor, as well as non-voting Technical Advisors (TAs) who provide subject-matter input or administrative support. County purchasing staff facilitate the process but do not select vendors. The SSA reviews the SSC recommendation and, if in agreement, approves the selection for award, subject to applicable approval authority and protest requirements.
- The County has not formally adopted a countywide policy framework governing post-award contract monitoring activities. In the absence of centralized policies, departments have independently developed contract monitoring processes based on program-specific needs, historical practices, or individual interpretation. Without a countywide framework establishing minimum monitoring standards, the County's ability to demonstrate consistent, transparent, and well-controlled contract governance across departments is limited (see recommendation).
- There is no compliance coordination or oversight across the County. Although specific departments have developed their own structured monitoring and oversight practices, there was not an observation of mechanisms to share best practices or technical support across other County departments (see recommendation).
- Contracting practices reflect a standardized agreement approach that does not consistently account for differences in relationship type, contract purpose, or risk profile (see recommendation).

Health and Human Services Agency (HHSA)

- The procurement governance framework reviewed includes documented organizational structure, assigned responsibilities, and delegated authority for procurement activities through the Department of Purchasing and Contracting (DPC) and related procurement policies.
- Defined approval thresholds, procurement methods, and oversight roles provide a structure for transparency, consistency, and compliance with applicable requirements in support of contracting activities.
- The COR qualification requirements reviewed describe expected competencies such as ethics, knowledge of County policies and legal requirements, organizational understanding, problem-solving, attention to detail, communication, and teamwork. Interview participants indicated awareness of and compliance with these requirements.

Recommendations

Countywide (CW)

- The County should develop and formally adopt a countywide policy framework governing post-award contract monitoring activities to establish minimum standards and expectations for monitoring, documentation, communication, and oversight. A standardized framework would provide a consistent foundation for contract governance while allowing departments flexibility to address program-specific needs.
- The County should clearly define and document roles, responsibilities, and escalation pathways for contract monitoring activities at both the countywide and departmental levels to ensure consistent accountability and enterprise-level visibility of contract risks and issues.
- The County should clarify the roles, authority, and responsibility of departments with established monitoring expertise and consider whether formal mechanisms are needed to share best practices or provide advisory support across departments. Formalizing this structure could improve consistency while preserving departmental autonomy.
- The County should reassess its standardized contracting and monitoring approach to ensure that contract administration and oversight requirements are aligned with contract purpose, relationship type, and risk profile. Differentiating requirements based on risk and complexity would support more effective use of resources and improve overall contract governance. For example, different expectations would be appropriate for a maintenance contract versus a contract with a non-profit entity to carry-out a public program.

Health and Human Services Agency (HHSA)

- No recommendations were identified for this principle specific to HHSA from our procedures focused on HHSA.

CE Key Principle #4 – Demonstrate Commitment to Competence

Management should demonstrate a commitment to recruit, develop, and retain competent individuals.

Points of Focus:

The following points of focus highlight important characteristics relating to this principle:

- **Establishes Policies and Practices**—Policies and practices reflect expectations of competence necessary to support the achievement of objectives.
- **Evaluates Competence and Addresses Shortcomings**—The board of supervisors and management evaluate competence across the organization and in outsourced service providers in relation to established policies and practices, and act as necessary to address shortcomings.
- **Attracts, Develops, and Retains Individuals**—The organization provides the mentoring and training needed to attract, develop, and retain sufficient and competent personnel and outsourced service providers to support the achievement of objectives.
- **Plans and Prepares for Succession**—Senior management and the board of supervisors develop contingency plans for assignments of responsibility important for internal control.

Observations

Countywide (CW)

- The County has established procurement policies and centralized oversight through the Department of Purchasing and Contracting (DPC), which together define roles, approval authorities, and procurement methods for the procurement function. These policies and structures establish expectations for professional knowledge, judgment, and accountability in the administration of procurements and provide a basis for training and role development within the procurement process.
- The County has established a COR training program consisting of COR I, COR II, an annual COR Refresh, and two annual DPC Academy training activities, which together cover contracting authorities, roles and responsibilities, ethics and procurement integrity, contract lifecycle management, post-award monitoring practices, and advanced contract management concepts.
- While the County has established contract-related training programs, the continuing education following completion of COR I and COR II training is broad in nature and the class selection is not consistently mandated across departments or roles (see recommendation).
- Contract-related training curricula are generally designed around the County contract management concepts; however, with the decentralization of authority and standards for post award monitoring, the training does not consistently incorporate or reference department-specific policies, procedures, and operating models. As a result, some CORs in departments with unique or decentralized practices perceive the training content with reduced applicability to their day-to-day responsibilities, which can contribute to reduced engagement and reliance on informal or department-specific guidance when performing monitoring activities (see recommendation). Training related to records management responsibilities, documentation expectations, and proper use of County-approved storage systems is not consistently required for staff involved in contract administration and oversight. We observed inconsistencies in file management practices across departments. Some departments stored files on local networks without standardized naming conventions or succession planning mechanisms, while others utilized shared network drives with defined file structures and department-level access controls (see recommendation).

Health and Human Services Agency (HHSA)

- The procurement policies and centralized oversight by the Department of Purchasing and Contracting (DPC) define roles, approval authorities, and procurement methods for the procurement function.
- The defined roles, approval authorities, and procurement methods establish expectations for knowledge, judgment, and accountability within the procurement process and provide a basis for training and role development.
- The COR certification and training program reviewed defines core competencies related to COR roles and responsibilities, County policies and legal requirements, the contract lifecycle, performance monitoring, ethics, and use of procurement and financial systems, and requires initial certification and ongoing training. Interview participants indicated they had completed the required training and were aware of the requirements.

Recommendations

Countywide (CW)

- The County should assess and enhance its contract monitoring training program to ensure that personnel involved in contract administration and oversight possess the requisite competencies. Countywide training expectations, including continuing education requirements, should be clearly defined and consistently applied.

- The County should ensure that training content is relevant to the roles of participating staff and appropriately tailored to address the requirements and risks associated with different contract types, and that the applicability of such training is clearly communicated. This could be accomplished through role-based training paths that address the various contract types.
- The County should include records management as mandatory training within the COR Academy to establish minimum standards for records management as related to post-award activities, as well as developing a consistent record management strategy with applicable location/naming conventions.

Health and Human Services Agency (HHSA)

- No recommendations were identified for this principle specific to HHSA from our procedures focused on HHSA.

CE Key Principle #5 – Enforce Accountability

Management should evaluate performance and hold individuals accountable for their internal control responsibilities.

Points of Focus:

The following points of focus highlight important characteristics relating to this principle:

- **Enforces Accountability through Structures, Authorities, and Responsibilities**—Management and the oversight body establish the mechanisms to communicate and hold individuals accountable for performance of internal control responsibilities across the organization and implement corrective action as necessary.
- **Establishes Performance Measures, Incentives, and Rewards**—Management and the board of supervisors establish performance measures, incentives, and other rewards appropriate for responsibilities at all levels of the entity, reflecting appropriate dimensions of performance and expected standards of conduct, and considering the achievement of both short-term and longer-term objectives.
- **Evaluates Performance Measures, Incentives, and Rewards for Ongoing Relevance**—Management and the board of supervisors align incentives and rewards with the fulfillment of internal control responsibilities in the achievement of objectives.
- **Considers Excessive Pressures**—Management and the board of supervisors evaluate and adjust pressures associated with the achievement of objectives as they assign responsibilities, develop performance measures, and evaluate performance.
- **Evaluates Performance and Rewards or Disciplines Individuals**—Management and the board of supervisors evaluate performance of internal control responsibilities, including adherence to standards of conduct and expected levels of competence and provide rewards or exercise disciplinary action as appropriate.

Observations

Countywide (CW)

- The County's process defines roles, responsibilities, and approval authorities intended to support accountability for internal control responsibilities. The policy assigns specific duties to departments, Source Selection Committees, the Director of Purchasing and Contracting, the Chief Administrative Officer, and the Board of Supervisors, with escalating approval requirements based on procurement method and contract value. This structure was discussed during walkthroughs with DPC staff. These assigned responsibilities, together with required documentation, justification, and pricing determinations, provide a basis for evaluating whether contract selection activities are performed in accordance with policy.
- The procurement policy has defined authorization levels and responsibilities and assigns responsibility to the appropriate parties for their role in the contracting process. The policy did not establish accountability measures for not following the policy or for violations of the policy (see recommendation).
- Documentation supporting ongoing contract monitoring activities varies significantly by department and does not consistently include required elements such as risk assessments, monitoring plans, or evidence of completed monitoring activities, including clear assignment of staff responsibility and accountability. These variations suggest that consistent standards and policies have not been established to support accountability or performance measurement. These inconsistencies were observed alongside the absence of countywide documentation standards, defined structures, assigned authorities, and standardized templates, as well as differing departmental interpretations of sufficient supporting documentation (see recommendation).
- It was observed through interview with staff that documentation and record storage expectations are not routinely incorporated into supervisory oversight or quality assurance activities and there is not clear accountability or evaluation of performance within these areas. Some departments stored files on local networks without standardized naming conventions or succession planning mechanisms, while others utilized shared network drives with defined file structures and department-level access controls. At the enterprise-level, there was no consistently noted minimum expectation of file storage and structures with accountability measures for violations (see recommendation).

Health and Human Services Agency (HHSA)

- The Agency's policies define roles, responsibilities, and approval authorities intended to support accountability for internal control responsibilities. The policy assigns specific duties to departments, Source Selection Committees, the Director of Purchasing and Contracting, the Chief Administrative Officer, and the Board of Supervisors, with escalating approval requirements based on procurement method and contract value.
- The assigned responsibilities, together with required documentation, justification, and pricing determinations, provide a basis for evaluating whether individuals involved in the contract selection process are performing their control responsibilities in accordance with policy.
- The contract monitoring framework includes policies addressing monitoring assessments, monitoring plans, monitoring activities, invoice review, provider orientation, and corrective action processes, which together define expectations and responsibilities for COR activities.

- The policies reviewed assign CORs responsibility for assessing agreement risk, developing and updating monitoring plans, performing and documenting monitoring activities, reviewing and approving invoices, conducting provider orientations, and escalating performance or compliance issues through defined corrective action processes. These activities are required to be documented in the Contract Administration Management System (CAMS) and are subject to review through audits, monitoring reassessments, and management oversight.
- This framework provides mechanisms for evaluating whether COR responsibilities are performed in accordance with policy and whether provider performance issues are identified, addressed, and escalated through the defined process.

Recommendations

Countywide (CW)

- The County should establish mechanisms to periodically evaluate the effectiveness and consistency of contract monitoring practices across departments, with results communicated to leadership and deficiencies addressed through coordinated corrective actions.
- The County should implement consistent methodologies for contract monitoring across departments.
- The County should implement consistent documentation and record storage expectations across departments.
- The County should define in the contract monitoring framework minimums for supervisory review and quality assurance requirements.
- The County should establish remediation steps and accountability for noncompliance with County established policy and procedures.

Health and Human Services Agency (HHSA)

- No recommendations were identified for this principle specific to HHSA from our procedures focused on HHSA.

Risk Assessment (RA)

The entity's identification and analysis of risks relevant to achievement of its objectives, forming a basis for determining how the risks should be managed.

RA Key Principle #6 – Define Objectives and Risk Tolerances

Management should define objectives clearly to enable the identification of risks and define risk tolerances.

Points of Focus:

The following points of focus highlight important characteristics relating to this principle:

- **Operations Objectives**
  - Reflects Management's Choices—Operations objectives reflect management's choices about structure, industry considerations, and performance of the entity.
  - Considers Tolerances for Risk—Management considers the acceptable levels of variation relative to the achievement of operations objectives.
  - Includes Operations and Financial Performance Goals—The organization reflects the desired level of operations and financial performance for the entity within operations objectives.
  - Forms a Basis for Committing of Resources—Management uses operations objectives as a basis for allocating resources needed to attain desired operations and financial performance.

- **External Financial Reporting Objectives**
  - Complies with Applicable Accounting Standards—Financial reporting objectives are consistent with accounting principles suitable and available for that entity. The accounting principles selected are appropriate in the circumstances.
  - Considers Materiality—Management considers materiality in financial statement presentation.
  - Reflects Entity Activities—External reporting reflects the underlying transactions and events to show qualitative characteristics and assertions.
- **External Non-Financial Reporting Objectives**
  - Complies with Externally Established Standards and Frameworks—Management establishes objectives consistent with laws and regulations, or standards and frameworks of recognized external organizations.
  - Considers the Required Level of Precision—Management reflects the required level of precision and accuracy suitable for user needs and as based on criteria established by third parties in non-financial reporting.
  - Reflects Entity Activities—External reporting reflects the underlying transactions and events within a range of acceptable limits.
- **Internal Reporting Objectives**
  - Reflects Management's Choices—Internal reporting provides management with accurate and complete information regarding management's choices and information needed in managing the entity.
  - Considers the Required Level of Precision—Management reflects the required level of precision and accuracy suitable for user needs in non-financial reporting objectives, and materiality within financial reporting objectives.
  - Reflects Entity Activities—Internal reporting reflects the underlying transactions and events within a range of acceptable limits.
- **Compliance Objectives**
  - Reflects External Laws and Regulations—Laws and regulations establish minimum standards of conduct which the entity integrates into compliance objectives.
  - Considers Tolerances for Risk—Management considers the acceptable levels of variation relative to the achievement of compliance objectives.

Observations

Countywide (CW)

- County policy defines procurement objectives, procurement methods, exemptions, exceptions, and approval authorities, providing a basis for identifying and managing procurement-related risks.
- The policy identifies competitive procurement as the primary procurement objective and includes thresholds for simplified procurements, categorical exemptions, single-source justifications, and approval levels based on contract value and procurement method.
- The purchasing policy specifies operational objectives by defining competitive procurement as essential to County operations and tying procurement practices to County strategic initiatives (e.g., inclusive contracting, sustainability-focused procurement). Through discussion with procurement staff it was noted that County strategic objectives are considered within the procurement process but the policy is primarily compliance driven.

- The absence of a countywide contract monitoring framework limits the County's ability to clearly define and communicate monitoring objectives applicable across all departments. We observed risk assessment practices varied by department, and in some cases, no formal risk assessment was performed. Additionally, there is no documented Enterprise-level risk tolerance or clearly defined expectations for CORs regarding risk assessment activities or how identified risks should be evaluated and managed in support of achieving County objectives (see recommendation).
- Monitoring expectations are applied uniformly across different agreement types without clear differentiation based on the nature of the contractual relationship. During interviews, participants indicated that contracts for minor repair and maintenance activities are generally expected to follow the same contract management processes used for more complex agreements, such as countywide information technology outsourcing arrangements. This approach may result in monitoring levels that are not aligned with contract risk or complexity and may affect the use of County resources (see recommendation).
- The policy requires documented justification for deviations from competitive procurement, evaluation of fair and reasonable pricing, and approval levels that vary by contract value and procurement method. Interviews with County procurement staff also included discussion of procurement risk, noncompliance risk, and the need to address both County objectives and external legal and regulatory requirements (see recommendation).

Health and Human Services Agency (HHSA)

- The Agency's policies define procurement objectives, acceptable procurement methods, exemptions, exceptions, and approval authorities, providing a basis for identifying and managing procurement-related risks.
- The policy establishes competitive procurement as the primary approach and includes thresholds for simplified procurements, categorical exemptions, single-source justifications, and approval levels based on contract value and procurement method.
- The policy requires documented justification for deviations from competitive procurement, evaluation of fair and reasonable pricing, and alignment with County requirements and priorities when selecting contractors.
- The Agency's contract monitoring policies define monitoring objectives, risk categories, and related monitoring requirements for COR activities.
- The policies reviewed assign CORs responsibility for safeguarding Agency and County resources, ensuring compliance with agreement terms, validating allowable and reasonable costs, and confirming delivery of required outcomes through activities such as monitoring assessments, monitoring plans, invoice reviews, provider orientations, and ongoing monitoring activities. In interviews conducted with nine COR staff, participants described awareness of these responsibilities.
- The policies define risk categories (low, medium, and high), required monitoring activities, escalation triggers, and responses to noncompliance, including corrective action notices, Contract Risk Report placement, payment withholding, and potential agreement termination. Policies governing budget and payment term changes also establish approval thresholds that guide COR judgment in managing fiscal risk throughout the agreement lifecycle.

Recommendations

Countywide (CW)

- The County should establish and formally document countywide post-award contract monitoring objectives that clearly articulate how contract oversight supports strategic priorities, operational effectiveness, financial stewardship, and compliance with applicable laws and regulations. These objectives should distinguish between compliance-driven requirements and broader operational goals, such as performance outcomes, value realization, and alignment with County initiatives (e.g., sustainability and inclusive contracting). Clearly defined objectives would provide a consistent foundation for identifying and assessing risks associated with post-award contract monitoring across departments.
- The County should define and document risk tolerances related to contract monitoring, including acceptable levels of variation in performance, compliance, financial exposure, and service delivery. Risk tolerances should be established at the County-level and applied consistently across departments to guide decision-making related to the depth, frequency, and formality of monitoring activities. Documented risk tolerances would enable departments and CORs to better align monitoring efforts with the County's appetite for risk while supporting achievement of stated objectives.
- The County should develop and implement a risk-based contract monitoring framework that differentiates monitoring objectives, expectations, and oversight activities based on contract type, complexity, dollar value, and risk profile and prescribe the minimum expectations at the County-level. The framework should require a documented risk assessment for contracts meeting defined criteria and clearly outline how identified risks should be evaluated, mitigated, and monitored over the contract lifecycle. This approach would support more efficient use of County resources while ensuring higher-risk contracts receive appropriate levels of oversight.

Health and Human Services Agency (HHSA)

- No recommendations were identified for this principle specific to HHSA from our procedures focused on HHSA.

RA Key Principle #7 – Identify and Respond to Risks

Management should identify, analyze, and respond to risks related to achieving the defined objectives.

Points of Focus:

The following points of focus highlight important characteristics relating to this principle:

- **Includes Entity, Subsidiary, Division, Operating Unit, and Functional Levels**—The organization identifies and assesses risks at the entity, subsidiary, division, operating unit, and functional levels relevant to the achievement of objectives.
- **Analyzes Internal and External Factors**—Risk identification considers both internal and external factors and their impact on the achievement of objectives.
- **Involves Appropriate Levels of Management**—The organization puts into place effective risk assessment mechanisms that involve appropriate levels of management.
- **Estimates Significance of Risks Identified**—Identified risks are analyzed through a process that includes estimating the potential significance of the risk.
- **Determines How to Respond to Risks**—Risk assessment includes considering how the risk should be managed and whether to accept, avoid, reduce, or share the risk.

Observations

Countywide (CW)

- The County's procurement process includes mechanisms intended to identify, analyze, and respond to risks related to procurement objectives.
- The policy requires competitive procurement as the default approach and defines procurement methods, exemptions, and single-source exceptions that may be used in response to operational, market, continuity, or emergency circumstances. These processes were discussed during walkthroughs with DPC staff.
- Risks associated with noncompetitive procurements are addressed through documented justification requirements, formal approval thresholds tied to contract value, and explicit determinations of fair and reasonable pricing. By requiring additional scrutiny, higher approval authority, and documented rationale as procurement risk increases, the policy provides a structured framework for identifying procurement risks and implementing proportionate responses during the contractor selection process.
- The Department of Purchasing and Contracting (DPC) defines competitive procurement methods and requires justification and approval for exemptions/exceptions, which reflects an embedded approach to identifying and addressing procurement risk.
- The County shares a standard template for a monitoring plan through the COR Academy and reference to best practices for contract monitoring and oversight but does not have a minimum requirement for monitoring as established through policy (see recommendation).
- Departments apply varying criteria, or no formal criteria, to determine the level and type of monitoring performed (see recommendation).
- The absence of a consistent, risk-based framework at the enterprise-level limits the County's ability to prioritize monitoring resources toward higher-risk contracts (see recommendation).
- Due diligence expectations for contractors are intended to be applied uniformly without consideration of contract type, scope, or risk (see recommendation).

Health and Human Services Agency (HHSA)

- The Agency's procurement process includes mechanisms intended to identify, analyze, and respond to risks related to procurement objectives.
- The policy requires competitive procurement as the default approach and defines procurement methods, exemptions, and single-source exceptions that may be used in response to operational, market, continuity, or emergency circumstances.
- Risks associated with noncompetitive procurements are addressed through documented justification requirements, approval thresholds tied to contract value, and determinations of fair and reasonable pricing.
- The Agency's policies require CORs to assess agreement-specific risk using standardized monitoring assessment factors, assign risk levels, and design monitoring plans and activities proportionate to the level of fiscal, programmatic, compliance, and operational risk presented by each agreement. Ongoing response mechanisms include documented monitoring activities, invoice review and validation, provider orientations, review and approval of budget and payment term changes within defined tolerances, and escalation of issues through corrective actions such as Corrective Action Notices, Contract Risk Report placement, payment withholding, special audits, or agreement termination, as appropriate. In interviews conducted with nine COR staff, participants indicated awareness of the risk-based framework and described applying it in their work.

Recommendations

Countywide (CW)

- The County should implement a standardized, risk-based approach to contract monitoring that differentiates monitoring expectations based on contract characteristics such as scope, dollar value, complexity, regulatory exposure, and service delivery risk.
- The County should develop an enterprise-level risk-based monitoring framework to better allocate oversight resources to higher-risk contracts. The framework should include defined risk assessment requirements, documentation standards, and guidance on risk responses (e.g., increased monitoring, escalation, or acceptance). This approach would enhance the County's ability to proactively identify, assess, and respond to contract risks affecting countywide objectives.

Health and Human Services Agency (HHSA)

- No recommendations were identified for this principle specific to HHSA from our procedures focused on HHSA.

RA Key Principle #8– Assess Fraud and Improper Payment Risks

Management should consider risks related to fraud, improper payments, and information security when identifying, analyzing, and responding to risks.

Points of Focus:

The following points of focus highlight important characteristics relating to this principle:

- **Considers Various Types of Fraud**—The assessment of fraud considers fraudulent reporting, possible loss of assets, and corruption resulting from the various ways that fraud and misconduct can occur.
- **Assesses Incentive and Pressures**—The assessment of fraud risk considers incentives and pressures.
- **Assesses Opportunities**—The assessment of fraud risk considers opportunities for unauthorized acquisition, use, or disposal of assets, altering of the entity's reporting records, or committing other inappropriate acts.
- **Assesses Attitudes and Rationalizations**—The assessment of fraud risk considers how management and other personnel might engage in or justify inappropriate actions.

Observations

Countywide (CW)

- The Department of Purchasing and Contracting (DPC) puts emphasis on competitive procurement and documented justification for exemptions/exceptions (including fair and reasonable price basis) which helps reduce fraud risk by limiting discretionary awards and increasing the evidentiary standard when competition is not used.
- The County identifies fraud risk as a core tenet of contract monitoring and COR responsibility.
- Through discussions with management, fraud, improper payment, and information security were described as risk areas addressed in contract-related training. Training materials reviewed include fraud indicators, ethical expectations, improper payment risks, and information security provisions, and County systems include access and segregation-of-duties controls for financial and contract data. However, because these topics are addressed primarily through training rather than countywide policy or procedure, expectations for department-level consideration of these risks are not consistently documented (see recommendation).
- The County has not established standardized checklists or structured guidance to support consistent investigation or compliance assessment activities related to contract monitoring at the countywide level (see recommendation).

- Due diligence practices conducted by the COR do not consistently extend beyond invoice review and documentation, which may limit the identification of integrity, reputation, or compliance risks associated with contractors (see recommendation).

Health and Human Services Agency (HHSA)

- The Agency's procurement policies include controls related to fraud, improper payments, and inappropriate contracting practices. The policy establishes competitive procurement as the standard method and requires documented justification, higher-level approvals, and determinations of fair and reasonable pricing for single-source procurements, exemptions, and exceptions.
- Defined approval thresholds based on contract value, segregation of procurement authority, and formal Source Selection Committee processes for negotiated procurements provide safeguards against override of controls and improper influence.
- The Agency requires written justification, price reasonableness analysis, and adherence to established procurement methods and authorities. The policy provides a structured framework for identifying and responding to risks of fraud, improper payments, and misuse of County resources during the contract selection process.
- The Agency's monitoring policies assign CORs responsibilities related to risk-based monitoring assessments, monitoring plans, invoice review and approval, and oversight of budget and payment term changes within defined thresholds. Policies governing invoice review, monitoring activities, audits, and investigations also include escalation mechanisms such as Corrective Action Notices, Contract Risk Report placement, payment withholding, or referral for audit or investigation, as appropriate.
- CORs are required to perform risk-based monitoring assessments, design monitoring plans, review and approve invoices for allowability and accuracy, and oversee budget and payment term changes within clearly defined thresholds, reducing the risk of unallowable costs and improper payments. Policies governing invoice review, monitoring activities, audits, and special investigations provide structured mechanisms to detect potential indicators of fraud or misuse of funds and require escalation through progressive corrective actions, including Corrective Action Notices (CANs), placement on the Contract Risk Report (CRR), payment withholding, or referral for audit or investigation, as appropriate.
- Information security and confidentiality risks are addressed through requirements related to documentation standards, restricted handling of sensitive information, controlled storage in the Contract Administration Management System (CAMS), and defined communication protocols with providers.

Recommendations

Countywide (CW)

- The County should integrate fraud and misuse-of-funds considerations into its contract risk assessment and monitoring approach and written policies, ensuring due diligence and oversight activities are aligned with assessed risk.
- The County should implement a fraud/improper payment risk checklist embedded into the risk assessment and monitoring plan (red flags, invoice anomalies, change order patterns).
- The County should require documented due diligence minimums beyond invoice review for higher-risk contractors (e.g., responsibility review, compliance history, site validation where applicable).
- The County should define a referral/escalation pathway for suspected fraud (who to notify, how to document, required timelines).

Health and Human Services Agency (HHSA)

- No recommendations were identified for this principle specific to HHSA from our procedures focused on HHSA.

RA Key Principle #9 – Respond to Significant Changes

Management should identify, analyze, and respond to significant changes that could impact the internal control system.

Points of Focus:

The following points of focus highlight important characteristics relating to this principle:

- **Assesses Changes in the External Environment**—The risk identification process considers changes to the regulatory, economic, and physical environment in which the entity operates.
- **Assesses Changes in the Business Model**—The organization considers the potential impacts of new business lines, dramatically altered compositions of existing business lines, acquired or divested business operations on the system of internal control, rapid growth, changing reliance on foreign geographies, and new technologies.
- **Assesses Changes in Leadership**—The organization considers changes in management and respective attitudes and philosophies on the system of internal control.

Observations

Countywide (CW)

- The County's procurement policies include mechanisms intended to address changes that could affect the internal control system. The policy incorporates defined procurement methods, adjustable thresholds, delegated authorities, and provisions for exemptions, single-source procurements, interim contracts, and emergency purchases that can be used in response to changes in operational needs, market conditions, funding requirements, regulatory changes, and service continuity considerations.
- The policy includes documentation, approval, and justification requirements when procurement approaches differ from standard competitive methods. DPC staff described awareness of these mechanisms and their intended use.
  The Department of Purchasing and Contracting (DPC) includes multiple mechanisms to adapt the procurement approach as the circumstances require, such as emergency purchasing abilities which support operational continuity as necessary.
- Countywide contract monitoring policies, training, and tools have not been consistently updated to reflect decentralized operating models, evolving contract types, or changes in departmental risk profiles. Changes to a contractor that occur within the contract period were not observed to be documented nor did we note re-evaluation on multi-year agreements (see recommendation).

Health and Human Services Agency (HHSA)

- The Agency's procurement policies include mechanisms intended to address significant changes that could affect the internal control system. The policy incorporates defined procurement methods, adjustable thresholds, delegated authorities, and provisions for exemptions, single-source procurements, interim contracts, and emergency purchases that may be used in response to changes in operational needs, market conditions, funding requirements, regulatory changes, and service continuity considerations.
- The policy includes documentation, approval, and justification requirements when procurement approaches differ from standard competitive methods and provides for periodic policy review and Board oversight.

- The Agency's framework includes control activities, executed primarily through CORs, intended to mitigate risks to contractual, fiscal, and programmatic objectives in accordance with established policies and procedures. CORs are responsible for implementing risk-based monitoring assessments, developing monitoring plans, conducting monitoring activities, reviewing and approving invoices, leading provider orientations, and overseeing budget and payment term changes within defined approval thresholds, ensuring controls are proportional to the level of risk posed by each agreement.
- Control activities are reinforced by standardized documentation requirements, segregation of duties, multilevel approvals, and formal escalation mechanisms—such as Corrective Action Notices (CANs), Contract Risk Report (CRR) placement, payment withholding, and audits—that are triggered when performance, compliance, or fiscal risks exceed established tolerances. These COR-led control activities are embedded throughout the agreement lifecycle and provide preventive and detective safeguards to address noncompliance, improper payments, service delivery failures, or misuse of County resources.

Recommendations

Countywide (CW)

- The County should periodically reassess contract classifications, standardized agreement structures, and monitoring requirements to ensure they remain aligned with changes in contract purpose, funding sources, regulatory requirements, and risk profiles.
- The County should require periodic re-assessment triggers in the event of specific identified events such as multi-year contracts, major scope change, change in COR, change in funding source, or repeated performance issues.

Health and Human Services Agency (HHSA)

- No recommendations were identified for this principle specific to HHSA from our procedures focused on HHSA.

Control Activities (CA)

The policies and procedures that help ensure that management's directives are carried out.

CA Key Principle #10 – Design Control Activities

Management should design control activities to mitigate risks to achieving the entity's objectives to acceptable levels.

Points of Focus:

The following points of focus highlight important characteristics relating to this principle:

- **Integrates with Risk Assessment**—Control activities help ensure that risk responses that address and mitigate risks are carried out.
- **Considers Entity-Specific Factors**—Management considers how the environment, complexity, nature, and scope of its operations, as well as the specific characteristics of its organization, affect the selection and development of control activities.
- **Determines Relevant Business Processes**—Management determines which relevant business processes require control activities.
- **Evaluates a Mix of Control Activity Types**—Control activities include a range and variety of controls and may include a balance of approaches to mitigate risks, considering both manual and automated controls, and preventive and detective controls.
- **Considers at What Level Activities Are Applied**—Management considers control activities at various levels in the entity.

- **Addresses Segregation of Duties**—Management segregates incompatible duties, and where such segregation is not practical management selects and develops alternative control activities.

Observations

Countywide (CW)

- The County's procurement process includes control activities intended to address procurement-related risks in support of County objectives.
- The policy establishes competitive procurement as the primary control and includes alternative procurement methods, approval authorities, dollar thresholds, pricing determinations, Source Selection Committee evaluations, and documentation requirements for exemptions and single-source procurements. DPC staff described these controls during walkthroughs involving multiple contract types. These controls provide multiple review points and documentation requirements within the contract award process.
- The County's procurement framework contains multiple built-in control activities, including defined procurement methods, required determinations of fair and reasonable pricing, and written justification requirements for categorical exemptions and single source exceptions.
- The County does not have established minimum monitoring requirements as set by policy. It was observed that monitoring activities are not consistently aligned to contract risk or agreement type, resulting in similar oversight requirements for contracts with significantly different risk levels (see recommendation).
- The County has not implemented minimum policy requirements regarding monitoring and has not established standardized monitoring tools, checklists, or structured programs to guide consistent monitoring and compliance activities. We observed instances where departments applied monitoring activities inconsistently in relation to contract risk. In some instances, there were no documented risk assessments to support the level of monitoring selected (see recommendation).

Health and Human Services Agency (HHSA)

- The Agency's process includes control activities intended to mitigate procurement-related risks in support of County objectives.
- The policy establishes competitive procurement as the primary control to reduce risks related to pricing, transparency, and favoritism, while defining structured alternatives—such as competitive negotiated procurements, qualifications-based selection, and simplified procedures—when appropriate. Additional control activities include clearly defined approval authorities and dollar thresholds, required determinations of fair and reasonable pricing, objective evaluation through Source Selection Committees, and mandatory documentation and justification for exemptions and single-source procurements.
- The controls provide layered oversight and proportional safeguards intended to support consistency, compliance, and risk mitigation in the contract award process.
- The Agency's framework reflects that management has designed control activities, carried out primarily by the COR, to mitigate risks to achieving contractual, fiscal, and programmatic objectives to acceptable levels, consistent with COSO control activity principles. CORs are required to evaluate agreement-specific risks using standardized monitoring assessment tools, document risk factors and overall risk ratings, and design monitoring plans and activities that are proportionate to the level of identified risk, including the frequency, type, and depth of monitoring performed.

Recommendations

Countywide (CW)

- The County should differentiate contract monitoring requirements by contract type and funding source to reduce over-monitoring of low-risk agreements and focus resources on higher-risk or more complex contracts.

Health and Human Services Agency (HHSA)

- No recommendations were identified for this principle specific to HHSA from our procedures focused on HHSA.

CA Key Principle #11– Technology General Controls

Management should design general control activities over information technology to mitigate risks to achieving the entity's objectives to acceptable levels.

Points of Focus:

The following points of focus highlight important characteristics relating to this principle:

- **Determines Dependency between the Use of Technology in Business Processes and Technology General Controls**—Management understands and determines the dependency and linkage between business processes, automated control activities, and technology general controls.
- **Establishes Relevant Technology Infrastructure Control Activities**—Management selects and develops control activities over the technology infrastructure, which are designed and implemented to help ensure the completeness, accuracy, and availability of technology processing.
- **Establishes Relevant Security Management Process Control Activities**—Management selects and develops control activities that are designed and implemented to restrict technology access rights to authorized users commensurate with their job responsibilities and to protect the entity's assets from external threats.
- **Establishes Relevant Technology Acquisition, Development, and Maintenance Process Control Activities**—Management selects and develops control activities over the acquisition, development, and maintenance of technology and its infrastructure to achieve management's objectives.

Observations

Countywide (CW)

- The Department of Purchasing and Contracting (DPC) utilizes the Contract Lifecycle Management System (CLMS), which allows for role-based access, task-driven workflow, and workflow visibility limited to assigned team members and reflects the use of system-enabled process controls that support standardized execution and controlled access to procurement work products.
- Contract monitoring activities are supported by a combination of department-specific tools, spreadsheets, shared drives, and systems rather than a standardized countywide platform (see recommendation).
- Contract information, monitoring documentation, and performance data are maintained in disparate locations using inconsistent formats and practices. We observed inconsistencies in file management practices across departments. Some departments stored files on local networks without standardized naming conventions or succession planning mechanisms, while others utilized shared network drives with defined file structures and department-level access controls. At the enterprise level, there was no consistently noted minimum expectation of file storage and structures with accountability measures for violations (see recommendation).

Health and Human Services Agency (HHSA)

- The Agency has established general information technology control activities intended to support contracting and post-award contract monitoring objectives.
- The Agency policies establish the use of centralized County systems—such as the Contract Administration Management System (CAMS), the Department of Purchasing and Contracting's (DPC) Contract Lifecycle Management System (CLMS), BuyNet, insurance tracking platforms, and designated SharePoint sites—to control how contract, procurement, monitoring, and compliance information is created, routed, approved, stored, and reported.
- CORs are responsible for maintaining accurate and timely records in these systems, ensuring appropriate access to agreement data, documenting monitoring activities and corrective actions, and relying on system-based workflows and approvals for items such as monitoring documentation, provider compliance status, corrective actions, and post-award activities. We observed this information being stored in CAMS in 9 COR walkthroughs. These IT-enabled controls support data integrity, traceability, segregation of duties, and consistent application of policies across the contract lifecycle.
- The County's system-based controls provide management with reliable information for oversight and monitoring while reducing the risk of unauthorized access, incomplete records, or breakdowns in contract monitoring activities.
- The Agency uses the Contract Administration Management System (CAMS) as a centralized system to support post-award contract monitoring activities.
- CAMS serves as the centralized system through which CORs document monitoring assessments, monitoring plans, monitoring activities, invoice reviews, corrective actions, and provider communications, ensuring the completeness, accuracy, and availability of monitoring information.
- IT controls over CAMS include defined access authorization and removal procedures, role-based permissions, requirements for timely and accurate data entry, prohibition on storing confidential or privacy-sensitive information, and standardized documentation retention practices. These system-based controls support data integrity, traceability of COR actions, and appropriate safeguarding of information used in contract oversight.
- The CAMS-related IT general controls enable CORs to consistently execute monitoring responsibilities using reliable and secure information, thereby reducing the risk of information loss, unauthorized access, or incomplete documentation while supporting the effective achievement of County contract monitoring objectives.

Recommendations

Countywide (CW)

- The County should promote consistent use of approved systems for contract records, monitoring evidence, and related documentation, reducing reliance on decentralized tools and informal record-keeping practices.
- The County should standardize naming conventions and folder structures (or equivalent tagging) and require a backup/succession plan for contract files.
- The County should Implement periodic access reviews for shared drives/sites used for contract monitoring files.

Health and Human Services Agency (HHSA)

- No recommendations were identified for this principle specific to HHSA from our procedures focused on HHSA.

CA Key Principle #12 – Policies and Procedures
Management should implement control activities through policies and procedures.

Points of Focus:
The following points of focus highlight important characteristics relating to this principle:

- **Establishes Policies and Procedures to Support Deployment of Management's Directives**—Management establishes control activities that are built into business processes and employees' day-to-day activities through policies establishing what is expected and relevant procedures specifying actions.
- **Establishes Responsibility and Accountability for Executing Policies and Procedures**—Management establishes responsibility and accountability for control activities with management (or other designated personnel) of the business unit or function in which the relevant risks reside.
- **Performs in a Timely Manner**—Responsible personnel perform control activities in a timely manner as defined by the policies and procedures.
- **Takes Corrective Action**—Responsible personnel investigate and act on matters identified as a result of executing control activities.
- **Performs Using Competent Personnel**—Competent personnel with sufficient authority perform control activities with diligence and continuing focus.
- **Reassesses Policies and Procedures**—Management periodically reviews control activities to determine their continued relevance, and refreshes them when necessary.

Observations

Countywide (CW)

- The County's contract selection process is implemented through defined competitive procurement policies and procedures.
- The policy prescribes procurement methods, approval authorities, dollar thresholds, documentation requirements, and justification and pricing determinations to be followed during contractor selection. These documented requirements provide staff with guidance on how contract selection activities are to be performed across departments.
- The Department of Purchasing and Contracting (DPC) has Policy A-87 which delineates the methods for the procurement process. It notates categorical exemptions by type, authorization levels and justification requirements.
- Countywide policies and procedures defining minimum monitoring requirements, documentation expectations, and roles and responsibilities have not been formally established (see recommendation).
- Based on discussions with departments and walkthroughs of contracts, departments interpret and apply monitoring expectations independently, resulting in variability in practice. Walkthroughs also reflected differing templates, differing understandings of monitoring, and in some cases limited awareness that monitoring expectations applied to specific contracts (see recommendation).
- Policy related to funding source (Federal, State, or Local) and the related tracking and processes for those funds were not clarified within the procurement policy. It is noted that there are internal guides for completing a Department Planning form which asks about the funding source but not the roles and responsibilities required by Federal, State and Local guidance on funding matches or monitoring (see recommendation).

Health and Human Services Agency (HHSA)

- The Agency's contract selection process is implemented through clearly defined policies and procedures established in competitive procurement policies, demonstrating that management has translated control activities into formal, enforceable requirements consistent with COSO control activity principles.

- The policy prescribes specific procurement methods, approval authorities, dollar thresholds, documentation requirements, and justification and pricing determinations that must be followed during contractor selection, thereby operationalizing management's expectations for transparency, fairness, and risk mitigation. By codifying competitive procurement as the standard approach and detailing structured procedures for negotiated procurements, exemptions, and single-source selections, the County ensures that control activities are consistently applied across departments. These documented requirements provide staff with clear guidance on how contract selection controls are to be performed, strengthening consistent execution and accountability in achieving the County's procurement objectives.
- The policies clearly translate management's expectations into actionable procedures requiring CORs to perform and document monitoring assessments, develop and update monitoring plans, conduct monitoring activities, review and approve invoices, oversee budget and payment term changes, conduct provider orientations, and address compliance issues through structured corrective action processes. Each policy prescribes specific roles, thresholds, documentation standards, timelines, and escalation requirements, ensuring that control activities are embedded into day-to-day monitoring responsibilities rather than applied ad hoc.

Recommendations

Countywide (CW)

- The County should develop and formally adopt countywide policies and procedures that define minimum contract monitoring requirements, documentation standards, and record retention expectations applicable across all departments. These policies should clearly articulate what monitoring activities are required, when they must be performed, and the evidence necessary to demonstrate compliance.
- The County should standardize monitoring templates, tools, and guidance for use across departments to support consistent execution of monitoring activities. These tools should align with the established minimum monitoring requirements and be scalable based on contract risk and complexity. Consistent tools would improve awareness, promote timely performance of control activities, and reduce variability in monitoring practices.

Health and Human Services Agency (HHSA)

- No recommendations were identified for this principle specific to HHSA from our procedures focused on HHSA.

Information and Communication (IC)

The identification, capture, and exchange of information in a form and time frame that enable people to carry out their responsibilities.

IC Key Principle #13 – Use of Quality Information

Management should obtain or generate relevant, quality information and use it to support the functioning of the internal control system.

Points of Focus:

The following points of focus highlight important characteristics relating to this principle:

- **Identifies Information Requirements**—A process is in place to identify the information required and expected to support the functioning of the other components of internal control and the achievement of the entity's objectives.

- **Captures Internal and External Sources of Data**—Information systems capture internal and external sources of data.
- **Processes Relevant Data into Information**—Information systems process and transform relevant data into information.
- **Maintains Quality throughout Processing**—Information systems produce information that is timely, current, accurate, complete, accessible, protected, and verifiable and retained. Information is reviewed to assess its relevance in supporting the internal control components.
- **Considers Costs and Benefits**—The nature, quantity, and precision of information communicated are commensurate with and support the achievement of objectives.

Observations

Countywide (CW)

- The procurement policy requires key information to support decision-making such as contract value definition, fair and reasonable price basis, justification for exemptions/exceptions.
- Walkthrough interviews indicated that procurement documentation is maintained in systems such as BuyNet, CLMS, and Oracle to support traceability and approvals.
- Documentation quality and completeness within monitoring processes are inconsistent as contract-related information may reside outside formal contract files or approved County systems. We observed inconsistencies in file management practices across departments. Some departments stored files on local networks without standardized naming conventions or succession planning mechanisms, while others utilized shared network drives with defined file structures and department-level access controls (see recommendation).
- Information necessary to support effective contract oversight may not be readily available or reliable at the countywide level. We noted through discussion with County staff that there is no formal Contract reporting requirement within the departments or to the County as a whole (see recommendation).

Health and Human Services Agency (HHSA)

- The Agency's policies require collection and use of relevant information to support the functioning of internal controls throughout the procurement process, including scopes of work, contractor qualifications, pricing and cost data, evaluation criteria, procurement method justifications, and determinations of fair and reasonable pricing before contract award.
- The policy requires written documentation and formal approvals when exemptions, single-source selections, or alternative procurement methods are used, ensuring that decision-makers rely on complete and accurate information aligned with County objectives and legal requirements.
- The policies assign CORs responsibility for obtaining, generating, and using relevant information to support the functioning of the internal control system.
- CORs are required to collect and document key information throughout the agreement lifecycle using standardized tools and templates, including monitoring assessments, monitoring plans, monitoring activity documentation, invoice reviews, corrective action tracking, and communications with providers. This information supports risk-based decision-making, performance evaluation, and timely escalation of compliance, fiscal, or programmatic issues.
- It was observed in one walkthrough/interview that the Agency consistently modifies required templates and documentation tools during the fiscal year that has made monitoring processes—including site visit documentation—more challenging to administer consistently, increasing the risk of confusion, inconsistent application, and inefficiencies for CORs and providers (see recommendation).

- Although there are established policies for information requirements to support effective monitoring, further standardization of site visit methodology and greater stability and coordination of monitoring templates would enhance the consistency, reliability, and comparability of information used to support internal controls across the contract monitoring process. It was noted in two COR walkthroughs the methodology applied by CORs to plan, conduct, and document site visits is not consistently applied across departments, resulting in variability in the quantity and focus of site visit reviews (see recommendation).

Recommendations

Countywide (CW)

- The County should ensure contract monitoring information is complete, reliable, and accessible through standardized documentation and approved systems to support transparency and effective oversight.
- The County should set expectations through written policies for document retention as well as consistent structural methodologies that are consistently applied. For example, what documentation should be maintained to evidence performance of monitoring procedures, how it should be stored, and for how long it should be stored.

Health and Human Services Agency (HHSA)

- The Agency should improve coordination and timing of template updates to minimize mid-year changes and provide clearer transition guidance when updates are unavoidable.
- To improve consistency and reliability of contract monitoring information, management should further standardize the methodology used by CORs to plan, conduct, and document site visits by issuing clear, risk-based guidance (e.g., minimum elements to be reviewed, documentation expectations, and use of standardized tools) aligned with existing site visit policies.

IC Key Principle #14 – Internal Communication

Management should internally communicate relevant and quality information, including objectives and responsibilities for internal control, necessary to support the functioning of the internal control system.

Points of Focus:

The following points of focus highlight important characteristics relating to this principle:

- **Communicates Internal Control Information**—A process is in place to communicate required information to enable all personnel to understand and carry out their internal control responsibilities.
- **Communicates with the Board of supervisors**—Communication exists between management and the board of supervisors so that both have information needed to fulfill their roles with respect to the entity's objectives.
- **Provides Separate Communication Lines**—Separate communication channels, such as whistle-blower hotlines, are in place and serve as fail-safe mechanisms to enable anonymous or confidential communication when normal channels are inoperative or ineffective.
- **Selects Relevant Method of Communication**—The method of communication considers the timing, audience, and nature of the information.

Observations

Countywide (CW)

- The County's procurement policies define objectives, roles, and responsibilities related to the procurement process and assign responsibilities and authorities to the Board of Supervisors, the Chief Administrative Officer, the Director of Purchasing and Contracting, Source Selection Authorities, and departments involved in procurement.
- The policy outlines procurement methods, approval thresholds, documentation standards, and justification requirements that provide staff with guidance on internal control responsibilities during contract selection. Consistent application of these requirements across departments remains necessary for the controls to operate as intended.
- The procurement policy communicates procurement expectations countywide by defining allowable procurement methods and establishing a common standard for when competition is required versus when documented exemptions/exceptions may be used as well as the availability of Oracle and CLMS for staff to reference as needed.
- Information related to emerging risks, recurring contract issues, or vendor performance concerns may not be communicated beyond the originating department. Through discussion with County staff we observed a lack of countywide formalized channels to facilitate communication of increased risk or contract non-performance to the appropriate management levels, as appropriate (see recommendation).
- The lack of centralized reporting mechanisms limits coordinated responses and enterprise-level awareness. Through discussion with County staff we observed a lack of countywide reporting expectations or communication methods to allow for a countywide review of overall contract status (see recommendation).

Health and Human Services Agency (HHSA)

- The Agency's policies define and communicate key objectives, roles, and responsibilities necessary to support the functioning of internal controls. The policy communicates the County's objectives related to fair, transparent, and competitive procurement and assigns responsibilities and authorities to the Board of Supervisors, the Chief Administrative Officer, the Director of Purchasing and Contracting, Source Selection Authorities, and departments involved in the procurement process. The policy outlines required procurement methods, approval thresholds, documentation standards, and justification requirements, providing staff with guidance on their internal control responsibilities during contract selection. While the policy provides a framework for internal communication of expectations and responsibilities, effective implementation depends on consistent dissemination, understanding, and application of these requirements across departments to ensure internal controls operate as intended.
- The Agency's framework establishes internally communicated objectives, roles, and responsibilities necessary to support the functioning of internal controls, including responsibilities assigned to CORs.
- The monitoring, fiscal, audit, and corrective action policies collectively convey expectations for risk-based monitoring, invoice review, documentation, escalation of issues, and protection of County resources, and provide CORs with guidance on how monitoring activities are to be planned, executed, documented, and reported across the agreement lifecycle.
- Communications are reinforced through standardized templates, required workflows, and defined escalation pathways that help align COR actions with County monitoring objectives.
- Frequent modifications to required templates and documentation tools during the fiscal year have made internal processes more challenging, requiring CORs and supporting staff to continuously adjust practices and increasing the risk of inconsistent understanding or application of updated requirements (see recommendation).

Recommendations

Countywide (CW)

- The County should establish formal countywide communication mechanisms to share information related to emerging contract risks, recurring issues, and contractor performance concerns. Defined channels would support timely escalation to appropriate management levels and improve enterprise-level awareness of issues that may affect County objectives.

Health and Human Services Agency (HHSA)

- The Agency should improve coordination and timing of template updates to minimize mid-year changes and provide clearer transition guidance when updates are unavoidable.

IC Key Principle #15– External Communication

Management should communicate relevant and quality information with appropriate external parties regarding matters impacting the functioning of the internal control system.

Points of Focus:

The following points of focus highlight important characteristics relating to this principle:

- **Communicates to External Parties**—Processes are in place to communicate relevant and timely information to external parties including shareholders, partners, owners, regulators, customers, and financial analysts and other external parties.
- **Enables Inbound Communications**—Open communication channels allow input from customers, consumers, suppliers, external auditors, regulators, financial analysts, and others, providing management and the board of supervisors with relevant information.
- **Communicates with the Board of supervisors**—Relevant information resulting from assessments conducted by external parties is communicated to the board of supervisors.
- **Provides Separate Communication Lines**—Separate communication channels, such as whistle-blower hotlines, are in place and serve as fail-safe mechanisms to enable anonymous or confidential communication when normal channels are inoperative or ineffective.
- **Selects Relevant Method of Communication**—The method of communication considers the timing, audience, and nature of the communication and legal, regulatory, and fiduciary requirements and expectations.

Observations

Countywide (CW)

- The Department of Purchasing and Contracting (DPC) reports externally by utilizing public posting of solicitations, issuance of notices of intent to award and a defined protest window. The availability of this information through BuyNet is a resource to the public to view these items. These public posting sites were observed and functioning.
- The lack of centralized reporting mechanisms limits coordinated responses and enterprise-level awareness. Through discussion with County staff, we observed a lack of countywide formalized channels to facilitate communication of increased risk or contract non-performance to the appropriate management levels, as appropriate (see recommendation).

Health and Human Services Agency (HHSA)

- The Agency's policies establish mechanisms to communicate relevant information with appropriate external parties to support the functioning of internal controls. The policy requires public notice of competitive procurements, clearly defined solicitation documents (e.g., RFBs, RFPs, and RFSQs), and the use of objective evaluation criteria, thereby communicating the County's procurement objectives, requirements, and expectations to contractors and other external stakeholders.
- The policy establishes formal processes for exemptions, single-source procurements, and Board approvals that involve external transparency through Board letters, public agenda items, and contract award actions. By requiring clear, timely, and documented communication with the vendor community, cooperative agencies, and the public, the policy supports transparency, accountability, and fair competition while reinforcing internal control objectives in the contract selection process, consistent with COSO principles related to external communication.
- The Agency's framework establishes processes for CORs to communicate relevant information with appropriate external parties regarding matters that affect the functioning of the internal control system.
- CORs serve as the primary point of contact with providers and external stakeholders and are responsible for communicating agreement requirements, performance expectations, monitoring results, invoicing standards, corrective actions, and escalation outcomes through formal mechanisms such as provider orientations, written monitoring reports, invoice approvals or denials, corrective action notices, CRR notifications, budget and payment term decisions, and required federal or funding source communications.
- Structured communications ensure providers understand compliance expectations, required corrective actions, and the County's oversight responsibilities, while also supporting transparency with external oversight entities such as auditors, funding agencies, and regulatory bodies. Collectively, the policies establish clear expectations for timely, documented, and appropriate external communication by CORs, reinforcing accountability, safeguarding County resources, and supporting effective operation of the contract monitoring internal control system.

Recommendations

Countywide (CW)

- The County should establish centralized, countywide reporting mechanisms to ensure timely communication of elevated risk or contract non-performance to appropriate management levels. Formalizing these channels would improve enterprise-level awareness and support coordinated oversight and response efforts.

Health and Human Services Agency (HHSA)

- No recommendations were identified for this principle specific to HHSA from our procedures focused on HHSA.

Monitoring (M)

A process that assesses the quality of internal control performance over time.

M Key Principle #16 – Ongoing and Separate Evaluations

Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results.

Points of Focus:
The following points of focus highlight important characteristics relating to this principle:

- **Considers a Mix of Ongoing and Separate Evaluations**—Management includes a balance of ongoing and separate evaluations.
- **Considers Rate of Change**—Management considers the rate of change in business and business processes when selecting and developing ongoing and separate evaluations.
- **Establishes Baseline Understanding**—The design and current state of an internal control system are used to establish a baseline for ongoing and separate evaluations.
- **Uses Knowledgeable Personnel**—Evaluators performing ongoing and separate evaluations have sufficient knowledge to understand what is being evaluated.
- **Integrates with Business Processes**—Ongoing evaluations are built into the business processes and adjust to changing conditions.
- **Adjusts Scope and Frequency**—Management varies the scope and frequency of separate evaluations depending on risk.
- **Objectively Evaluates**—Separate evaluations are performed periodically to provide objective feedback.

Observations

Countywide (CW)

- The policy provides for Board actions, justification requirements for deviations from competitive procurement, and a formal policy review cycle with an established sunset date, which together create opportunities for review of procurement practices.
- The procurement policy requires the County to document and justify the procurement approach (especially exemptions/exceptions) and to retain award-supporting information to provide a foundation for oversight reviews, quality assurance, and evaluation over procurement decisions.
- It does not appear that the Department of Purchasing and Contracting (DPC) consistently performs evaluations of the procurement process practices to monitor the functionality of the controls (see recommendation).
- The County does not consistently perform countywide evaluations of contract monitoring practices to assess effectiveness, consistency, or alignment with established expectations (see recommendation).

Health and Human Services Agency (HHSA)

- The Agency's process incorporates monitoring activities designed to assess whether internal controls are operating as intended and to evaluate the results of those controls. The policy establishes multiple layers of ongoing and separate monitoring through defined approval authorities, value-based thresholds requiring review by the Director of Purchasing and Contracting, Chief Administrative Officer, or Board of Supervisors, and required documentation supporting procurement method selection, pricing determinations, and use of exemptions or single-source exceptions.
- The policy provides for continued oversight through public Board actions, required justifications for deviations from competitive procurement, and a formal policy review cycle with an established sunset date, enabling periodic evaluation of effectiveness. Collectively, these mechanisms allow management to monitor compliance with procurement requirements, identify control breakdowns or trends, and take corrective action as needed, supporting the functioning of the internal control system consistent with COSO monitoring principles.
- The Agency's framework establishes ongoing monitoring activities, carried out primarily through CORs, to assess the effectiveness of internal controls and evaluate monitoring results.

- Through formally defined policies, CORs are required to perform periodic monitoring assessments, develop and annually update monitoring plans, conduct and document monitoring activities, review provider invoices and fiscal documentation, and reassess monitoring approaches when risk factors or performance conditions change.
- CORs evaluate monitoring results by identifying trends, documenting findings, and escalating issues through structured mechanisms such as informal and formal corrective actions, Corrective Action Notices (CANs), Contract Risk Report (CRR) placement, payment withholding, and referrals for audit or special investigation, as appropriate. These activities are documented in centralized systems and subject to management and oversight review, enabling evaluation of whether controls are operating as intended and whether corrective actions are effective. Collectively, the COR-led monitoring activities provide management with information to assess whether contract monitoring controls are functioning as designed and whether performance, compliance, and fiscal risks are identified, evaluated, and addressed throughout the agreement lifecycle.
- Although site visits are required for certain agreements and are a key component of COR-led monitoring, the methodology used to plan, perform, and document site visits is not consistently applied across departments, resulting in variability in the number of site visits conducted and the scope, depth, and focus of reviews, which was observed in two COR walkthroughs. This variability reduces the consistency and comparability of site-visit-based monitoring information used by management to evaluate provider performance and internal control effectiveness (see recommendation).

Recommendations

Countywide (CW)

- The County should implement countywide evaluations of contract monitoring practices to assess consistency, effectiveness, and alignment with established expectations. These evaluations should consider varying levels of contract risk and be performed periodically to provide an objective basis for assessing monitoring controls across departments.
- The County should conduct periodic evaluations of contract monitoring practices across departments and incorporate results into enterprise-level risk assessment and assurance coordination efforts.

Health and Human Services Agency (HHSA)

- To improve consistency and reliability of contract monitoring information, management should further standardize the methodology used by CORs to plan, conduct, and document site visits by issuing clear, risk-based guidance (e.g., minimum elements to be reviewed, documentation expectations, and use of standardized tools) aligned with existing site visit policies.

M Key Principle #17 – Remediation of Deficiencies

Management should remediate identified internal control deficiencies on a timely basis.

Points of Focus:

The following points of focus highlight important characteristics relating to this principle:

- **Assesses Results**—Management and the board of supervisors, as appropriate, assess results of ongoing and separate evaluations.
- **Communicates Deficiencies**—Deficiencies are communicated to parties responsible for taking corrective action and to senior management and the board of supervisors, as appropriate.
- **Monitors Corrective Actions**—Management tracks whether deficiencies are remediated on a timely basis.

Observations

Countywide (CW)

- The County's procurement process includes approval authorities, escalation thresholds, and documentation requirements that provide mechanisms for identifying and addressing situations in which procurement methods, pricing determinations, or approval processes do not align with policy requirements.
- The County's policies required justifications for exemptions or single-source procurements, Board review and approval processes, public oversight, and the policy's review and sunset provisions provide points at which corrective action or policy updates may occur.
- During interviews, management discussed a willingness to accept, understand, and remediate internal control deficiencies and potential process improvements as they may be brought to the attention of management during the year.
- The Department of Purchasing and Contracting (DPC) should clearly define the process for escalation procedures related to the procurement process when regular operations cannot be followed (see recommendation).
- Issues identified through departmental monitoring or compliance activities are not consistently tracked, analyzed, or communicated at the countywide level for resolution (see recommendation).
- Deficiencies related to contract monitoring practices may persist without coordinated corrective action or follow-up (see recommendation).

Health and Human Services Agency (HHSA)

- The Agency's process includes mechanisms that support the timely identification and remediation of internal control deficiencies consistent with COSO monitoring principles. The policy establishes defined approval authorities, escalation thresholds, and documentation requirements that enable management to address instances where procurement methods, pricing determinations, or approval processes do not align with policy requirements.
- Any deficiencies identified through required justifications for exemptions or single-source procurements, Board review and approval processes, public oversight, and the policy's established review and sunset provisions provide structured opportunities for corrective action and policy updates. These elements support management's ability to respond to identified control issues and implement corrective measures to strengthen compliance and effectiveness in the contract selection process on a timely basis.
- The Agency's contract monitoring framework establishes mechanisms, executed primarily through CORs, to identify and remediate internal control deficiencies on a timely basis.
- CORs are responsible for detecting performance, compliance, fiscal, and operational issues through ongoing monitoring activities, invoice reviews, monitoring assessments, audits, and provider communications, and are required to respond using a clearly defined scale of progressive corrective action.
- The policies require CORs to document deficiencies, communicate required corrective actions with defined expectations and deadlines, track provider responses, and escalate unresolved issues through formal tools such as Corrective Action Notices (CANs), placement on the Contract Risk Report (CRR), reassessment of monitoring plans, payment withholding, or referral for audit or special investigation.

Recommendations

Countywide (CW)

- The County should establish formal processes to communicate identified contract monitoring deficiencies to leadership and track corrective actions, supporting consistent remediation and continuous improvement.

Health and Human Services Agency (HHSA)

- No recommendations were identified for this principle specific to HHSA from our procedures focused on HHSA.