

LOS ANGELES COUNTY AUDITOR-CONTROLLER

John Naimo
AUDITOR-CONTROLLER

Arlene Barrera
CHIEF DEPUTY

Peter Hughes
ASSISTANT AUDITOR-CONTROLLER

Robert Smythe
DIVISION CHIEF

AUDIT DIVISION

June 1, 2018

Child Support Services Department CONTRACTING REVIEW



NUMBER OF RECOMMENDATIONS

PRIORITY 1

0

CORRECTIVE ACTION REQUIRED
WITHIN 90 DAYS

PRIORITY 2

2

CORRECTIVE ACTION REQUIRED
WITHIN 120 DAYS

PRIORITY 3

7

CORRECTIVE ACTION REQUIRED
WITHIN 180 DAYS



BOARD OF SUPERVISORS

Hilda L. Solis
FIRST DISTRICT

Mark Ridley-Thomas
SECOND DISTRICT

Sheila Kuehl
THIRD DISTRICT

Janice Hahn
FOURTH DISTRICT

Kathryn Barger
FIFTH DISTRICT

REPORT #K18BB

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FACT SHEET

Child Support Services Department

CONTRACTING REVIEW

With the support and active participation of the Child Support Services Department (CSSD or Department), we have evaluated the design of the Department's internal controls over contracting processes. The Department's four Contract Programs Unit staff are responsible for contract solicitation, evaluation, selection, and monitoring of the Department's contracts.

Key Outcomes

We noted various opportunities to improve and strengthen CSSD's contracting processes and controls, which management has agreed to strengthen. We will assess and report on management's corrective actions in our planned future follow-up review. Examples of corrective actions include:

- CSSD will develop procedures to ensure that staff/management review contract invoices to verify services were performed and complied with contract terms, and document the review prior to payment.
- CSSD will develop and implement procedures to ensure that the Quality of Service Monitoring Plan is completed prior to contract solicitation.
- CSSD will revise project plans/timelines to ensure all critical components are included, and periodically review and update project plans/timelines if needed.
- CSSD will develop and implement a Late Response Log for proposals received after the deadline. The log should include the vendor's name, method of receipt, and the date/time the proposal was received.

Impact

These enhancements will assist in ensuring the fairness and integrity of the Department's solicitation, evaluation, selection, and monitoring processes. In addition, these controls will provide greater accountability and transparency, and improved contracting processes.

FAST FACTS

The Contract Programs Unit's four staff/managers are responsible for soliciting, evaluating, selecting, and monitoring six contracts totaling approximately \$1.9 million.

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This report is also available online at auditor.lacounty.gov
Report Waste, Fraud, and Abuse: fraud.lacounty.gov

For questions regarding the contents of this report, please contact Robert Smythe, Audit Division Chief, at rsmythe@auditor.lacounty.gov or (213) 253-0100.

REPORT #K18BB



JOHN NAIMO
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
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June 1, 2018

TO: Supervisor Sheila Kuehl, Chair
Supervisor Hilda L. Solis
Supervisor Mark Ridley-Thomas
Supervisor Janice Hahn
Supervisor Kathryn Barger

FROM: John Naimo
Auditor-Controller

A handwritten signature in blue ink that reads "John Naimo".

SUBJECT: **CHILD SUPPORT SERVICES DEPARTMENT – CONTRACTING
REVIEW**

We have completed a review of Child Support Services Department's (CSSD or Department) contracting processes and controls. Details of our findings and recommendations for corrective action are included in Attachment I.

We conducted our review in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

Scope and Objectives

Our review primarily focused on evaluating CSSD's internal controls over their contracting processes, and included interviewing management and staff, examining policies and procedures, and completing detailed walkthroughs of practices.

What Prompted the Review

This is a planned review included in our Fiscal Year (FY) 2017-18 Audit Plan.

Process Overview

In FY 2017-18 CSSD awarded five service contracts, and currently contracts with six vendors, totaling up to \$1.9 million.

CSSD's four Contract Programs Unit staff/managers are responsible for soliciting and evaluating prospective service contractors, awarding and executing contracts, and monitoring established contracts.

Risks and Opportunities

Risks include selecting an unqualified vendor, experiencing delays/stoppages of services, addressing vendor protests/lawsuits, executing contractual terms/obligations detrimental to the County, overpaying vendors, receiving inferior services, and the potential for retroactive contracts. Opportunities include consistently selecting the most qualified vendors, greater accountability and integrity of the contracting process, and cost savings.

Scope Exclusions

Our review did not include CSSD's contract reporting or purchasing operations (e.g., agreement, non-agreement, revolving funds, etc.) since these functions are performed by the Finance Management Unit and Procurement Unit, respectively. In addition, our review did not include vendor contracts for the purchase of commodities since CSSD's Procurement Unit works directly with the Internal Services Department to establish contracts for these purchases. Our review was limited to an evaluation of the design of the CSSD's process and internal controls in the specific areas noted in the Scope and Objectives section above, and did not include testing for compliance with County or Departmental requirements.

Review of Report

We discussed our report with CSSD management. The Department's attached response (Attachment II) indicates general agreement with our findings and recommendations.

Follow-up Process

The Auditor-Controller (A-C) has a follow-up process designed to provide assurance to the Board of Supervisors (Board) that departments are taking appropriate and timely corrective action to address audit recommendations. Within six months of the date of an audit report, departments must submit a Corrective Action Implementation Report (CAiR) detailing the corrective action taken to address all recommendations in the report. Departments must also submit documentation with the CAiR that demonstrates the corrective action taken. We will review departments' reported corrective action and supporting documentation, and report the results to the Board. For any recommendations not fully implemented, departments must report the status of corrective action within six months after our first follow-up report is issued.

Management's Responsibility for Internal Controls

Management of each County department is primarily responsible for designing, implementing, and maintaining a system of internal controls that provides reasonable assurance that important departmental and County objectives are being achieved. Internal controls should sustain and improve departmental performance, adapt to changing priorities and operating environments, reduce risks to acceptable levels, and support sound decision-making.

Management must monitor internal controls on an ongoing basis to ensure that any weaknesses or non-compliance are promptly identified and corrected. The A-C's role is to assist management by performing periodic assessments of the effectiveness of the department's internal control systems. These assessments complement, but do not in any way replace, management's responsibilities over internal controls.

Limitations of Internal Controls

Any system of internal controls, however well designed, has limitations. As a result, internal controls provide reasonable but not absolute assurance that an organization's goals and objectives will be achieved. Some examples of limitations include errors, circumvention of controls by collusion, management override of controls, and poor judgment. In addition, there is a risk that internal controls may become inadequate due to changes in the organization, such as reduction in staffing or lapses in compliance.

We thank CSSD management and staff for their cooperation and assistance during our review. If you have any questions please call me, or your staff may contact Robert Smythe at (213) 253-0100.

JN:AB:PH:RS:YK

Attachments

c: Sachi A. Hamai, Chief Executive Officer
Steven J. Golightly, Ph.D., Director, Child Support Services Department
Audit Committee
Countywide Communications

CHILD SUPPORT SERVICES DEPARTMENT - CONTRACTING REVIEW

FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION					
	ISSUE	RISK	RECOMMENDATION	P¹	SUMMARY OF RESPONSE
1	<p>Invoice Review and Documentation - Child Support Services Department (CSSD or Department) does not have procedures to ensure that staff/management review invoices for contracted services, verify that services were performed and complied with contract terms, and document the review prior to payment.</p>	<ul style="list-style-type: none"> Increased risk that the Department will pay for services that have not been received. 	<p>CSSD management develop procedures to ensure that staff/management review contract invoices to verify services were performed and complied with contract terms, and document the review prior to payment.</p>	2	<p>Agree Target Implementation Date: September 1, 2018</p> <p>CSSD's response (Attachment II) indicates the Department will develop written procedures to ensure that staff/management review invoices for contracted services to document that services are verified prior to payment.</p>
2	<p>Quality of Service Monitoring Plan (QSMP) - CSSD does not develop the QSMP prior to contract solicitation as required by County Fiscal Manual (CFM) Section 12.5.1.</p> <p>The QSMP is a comprehensive monitoring plan that is used to evaluate contractor performance and compliance with contract requirements. The method of monitoring and performance requirements should match the QSMP and be outlined in the solicitation so proposers clearly understand the Department's expectations.</p>	<ul style="list-style-type: none"> Increased risk that contractor will not meet the Department's expectations and that the Department may lack recourse. Potential for confusion over the quantity, quality, and type of services to be performed which may delay identifying areas of non-compliance. Potential bidder protest if QSMP criteria is not established before proposals are solicited. 	<p>CSSD management develop and implement procedures to ensure that the QSMP is completed prior to contract solicitation.</p>	2	<p>Agree Target Implementation Date: September 1, 2018</p> <p>CSSD's response indicates the Department will ensure that the QSMP is developed and implemented prior to contract solicitation.</p>

¹ **Priority Ranking:** Recommendations are ranked from Priority 1 to Priority 3 based on the potential seriousness and likelihood of negative impact on departmental operations if corrective action is not taken. See Attachment III for definitions of priority rankings.

FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION					
	ISSUE	RISK	RECOMMENDATION	P ¹	SUMMARY OF RESPONSE
3	Project Plans and Timelines – CSSD’s project plans/timelines do not include all critical information (e.g., required tasks, start and completion dates, responsible staff, etc.) required by the Services Contracting Manual Section 5.4.	<ul style="list-style-type: none"> Increased risk that CSSD staff will not complete required tasks or complete them timely. 	CSSD management revise project plans/timelines to ensure all critical information and components are included and periodically review, and update project plans/timelines if needed.	3	<p>Agree Target Implementation Date: November 1, 2018</p> <p>CSSD’s response indicates the Department will include all critical information in their current timeline template, and will review and update the template as needed.</p>
4	<p>Proposition A Contracts - CSSD does not have procedures to ensure that:</p> <ul style="list-style-type: none"> The Auditor-Controller (A-C) is contacted to discuss and agree on the information needed to support the avoidable cost analysis. The Department’s avoidable cost analysis complies with CFM Section 12.2.4 in regards to: <ul style="list-style-type: none"> Staffing levels. Salary and Employee Benefit costs. Service and Supply costs. Contract monitoring costs. Unrecoverable costs. 	<ul style="list-style-type: none"> Increased risk that the Department’s avoidable cost analysis will over/under estimate the County’s savings and result in a decision that is not cost effective. Revising an incorrect avoidable cost analysis requires additional time and may delay contract implementation. 	<p>CSSD management ensure:</p> <p>a) Staff contact the A-C for Proposition A contracts to determine the information needed to support an avoidable cost analysis.</p> <p>b) Proposition A avoidable cost analyses comply with County guidelines.</p>	3	<p>Agree Target Implementation Date: November 1, 2018</p> <p>CSSD’s response indicates the Department will revise their Project Plan and Timeline to include the timely contacting of the A-C when a contract is determined to be a Proposition A. In addition, the Department will implement procedures to ensure Proposition A avoidable cost analyses comply with County guidelines.</p>

¹ **Priority Ranking:** Recommendations are ranked from Priority 1 to Priority 3 based on the potential seriousness and likelihood of negative impact on departmental operations if corrective action is not taken. See Attachment III for definitions of priority rankings.

FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION					
	ISSUE	RISK	RECOMMENDATION	P ¹	SUMMARY OF RESPONSE
5	Solicitation Process - CSSD does not ensure that managers and staff involved in the solicitation process attest that they will not disclose confidential/sensitive information and that they are free from conflict of interest or any actual or perceived bias.	<ul style="list-style-type: none"> Increased risk of actual or perceived bias which may result in an unfair advantage/disadvantage for potential proposers and lead to vendor protests. May compromise the integrity of the solicitation process. 	CSSD management ensure staff sign confidentiality/conflict of interest statements prior to beginning the solicitation process.	3	<p>Agree Implementation Date: May 1, 2018</p> <p>CSSD's response indicates the Department has developed and implemented a <i>Contract Staff Disclosure Agreement</i> that contract staff/management will sign before beginning the solicitation process.</p>
6	Late Response Log - CSSD does not maintain a Late Response Log to record proposals that are received after the deadline as required by the County's Services Contracting Manual section 6.4. The log should include the vendor's name, method of receipt, and date/time the proposal was received.	<ul style="list-style-type: none"> Increased vulnerability to vendor protest since the Department cannot provide documents to show rejected bids were received after the submission deadline. May negatively impact public trust in the vendor solicitation process. 	CSSD management develop and implement a Late Response Log for proposals received after the submission deadline.	3	<p>Agree Implementation Date: May 1, 2018</p> <p>CSSD's response indicates the Department has developed a <i>Proposal Late Response Log</i> that the Department will use during the next solicitation process.</p>
7	Contract Training - CSSD does not maintain training logs/records for all Contracts Unit staff. Although the Department indicated that the Department of Human Resources maintains training records in the Learning Management System, CSSD does not maintain or review the records to ensure completeness of training.	<ul style="list-style-type: none"> Increased risk of staff performing tasks inconsistently or incorrectly. Reduced accountability since management cannot ensure that staff received all appropriate training. 	CSSD management ensure that training logs/records are maintained for all Contract Program Unit staff and managers.	3	<p>Agree Implementation Date: May 1, 2018</p> <p>CSSD's response indicates the Department has developed a <i>Training Log</i> for Contract Division staff/managers, and uses the Los Angeles County Learningnet.</p>

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FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION					
	ISSUE	RISK	RECOMMENDATION	P ¹	SUMMARY OF RESPONSE
8	<p>Written Standards and Procedures - CSSD does not have detailed written standards and procedures for the processes noted in this report, including development of solicitation, evaluation, and monitoring documents.</p> <p>Written standards and procedures provide detailed guidance to staff and supervisors in performing their day-to-day duties, and describe how processes are performed. They must also require staff and supervisors to maintain documentation of their processes and provide an audit trail of key events where practical.</p>	<p>Although CSSD relies heavily on ISD training, not having written standards and procedures increases the following risks:</p> <ul style="list-style-type: none"> • Reduced accountability since roles and responsibilities are not clearly defined. • Staff may perform tasks incorrectly or inconsistently. • Increased effort may be required to train new staff. • Management may not evaluate contracting practices effectively since there are no clear standards. 	<p>CSSD management establish written standards and procedures to adequately guide supervisors and staff in contract processes.</p>	3	<p>Agree Target Implementation Date: November 1, 2018</p> <p>CSSD's response indicates the Department will develop written standards and procedures to adequately guide staff and supervisors through the contracting process.</p>

¹ **Priority Ranking:** Recommendations are ranked from Priority 1 to Priority 3 based on the potential seriousness and likelihood of negative impact on departmental operations if corrective action is not taken. See Attachment III for definitions of priority rankings.

FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION					
	ISSUE	RISK	RECOMMENDATION	P ¹	SUMMARY OF RESPONSE
9	<p>Management Monitoring of Internal Controls - CSSD does not have self-monitoring processes in place to ensure controls related to contracting function as intended, as required by CFM Section 1.0.2.</p> <p>Effective self-monitoring processes may include tests or observations examining an adequate number of transactions on a regular basis (e.g., 5 to 10 transactions weekly, quarterly, semi-annually, etc.) to ensure adherence to County and Departmental policies, and documenting and retaining evidence of this review in such a manner that a third party can subsequently validate it.</p> <p>The monitoring process should also ensure material exceptions are elevated to management to ensure awareness of relative control risk on a timely basis, and to ensure appropriate corrective actions are implemented.</p>	<ul style="list-style-type: none"> • Prevents management from having demonstrated assurance that their objectives for contract solicitations, evaluations, and monitoring are being achieved. • Self-monitoring processes serve to identify: <ul style="list-style-type: none"> ○ Instances of non-compliance with County and Departmental rules. ○ Inefficient use of County resources. ○ Reduced accountability. ○ Inconsistent or incorrect performance of duties. ○ Paying for services that were not received. ○ Reduced public trust. ○ Increased risk of not identifying contractor violations, or not identifying them timely. 	<p>CSSD management implement ongoing self-monitoring processes that include:</p> <ul style="list-style-type: none"> a) Examination of processes, such as review of an adequate number of transactions on a regular basis to ensure adherence to County rules. b) Documenting the monitoring activity and retaining evidence so it can be subsequently validated. c) Elevating material exceptions to management on a timely basis to ensure awareness of relative risk, and to ensure appropriate corrective actions are implemented. 	3	<p>Agree Target Implementation Date: November 1, 2018</p> <p>CSSD's response indicates the Department will develop written monitoring processes to ensure that reviews are completed on an adequate number of transactions, that staff document the monitoring activity, retain evidence, and notify management of any material discrepancies that may require corrective action.</p>

¹ **Priority Ranking:** Recommendations are ranked from Priority 1 to Priority 3 based on the potential seriousness and likelihood of negative impact on departmental operations if corrective action is not taken. See Attachment III for definitions of priority rankings.



County of Los Angeles
Child Support Services Department



STEVEN J. GOLIGHTLY, Ph.D.
Director

DEAN DEGRUCCIO
Chief Deputy Director

May 1, 2018

TO: John Naimo
Auditor-Controller

FROM: Steven J. Golightly, Ph.D.
Director

DEAN DEGRUCCIO
CHIEF DEPUTY DIRECTOR
DEAN DE GRUCCIO

SUBJECT: CHILD SUPPORT SERVICES DEPARTMENT'S RESPONSE TO
AUDITOR-CONTROLLER'S CONTRACT REVIEW

Attached is the Los Angeles County Child Support Services Department's response to the recommendations contained in the Auditor-Controller's Contracting Review. We concur with the findings and recommendations and have implemented or in the process of implementing corrective action on all the recommendations.

We appreciate the opportunity to include our response in your report and thank your staff for their professionalism in conducting their review of our operation. Please let me know if you have any questions or require additional information. You may also contact Administrative Deputy Rosemary Gutierrez at (323) 889-2981 or Contracts Division Chief Andrea Barnes at (323) 889-3466.

SJG:RG:

c: Dean De Gruccio
Rosemary Gutierrez
Alexandra Bauer
Andrea Barnes

Attachment

EXECUTIVE OFFICES

5770 S. Eastern Avenue • Commerce, CA 90040 • (323) 889-3400

*"To enrich our community by providing child support services
in an efficient, effective and professional manner, one family at a time"*

**LOS ANGELES COUNTY CHILD SUPPORT SERVICES DEPARTMENT
RESPONSE TO AUDITOR-CONTROLLER'S CONTRACT REVIEW**

AUDITOR-CONTROLLER RECOMMENDATION #1

CSSD management develop procedures to ensure that staff/management review contract invoices to verify services were performed and complied with contract terms, and document the review prior to payment.

Child Support Services Response:

The Child Support Services Department agrees with this finding and will develop written procedures to ensure that staff/management review invoices for contracted services to document that services are verified prior to payment. Target implementation date September 1, 2018.

AUDITOR-CONTROLLER RECOMMENDATION #2

CSSD management develop and implement procedures to ensure that the Quality Service Monitoring Plan (QSMP) is completed prior to contract solicitation.

Child Support Services Response:

The Child Support Services Department agrees with this finding and will ensure that the QSMP is developed and implemented prior to contract solicitation. Target implementation date September 1, 2018.

AUDITOR-CONTROLLER RECOMMENDATION #3

CSSD management revise project plans/timelines to ensure all critical information and components are included and periodically review, and update project plans/timelines if needed.

Child Support Services Response:

The Child Support Services Department agrees with this finding and will include in the current timeline template all critical information to ensure all components of contracting process are reviewed and updated as needed. Implementation date November 1, 2018.

AUDITOR-CONTROLLER RECOMMENDATION #4

CSSD management ensure: a) staff contact the Auditor-Controller for Proposition A contracts to determine the information needed to support a cost analysis, and b) Proposition A cost analyses comply with County guidelines.

Child Support Services Response:

The Child Support Services Department agrees with this finding and will incorporate into its Project Plan and Timeline the timely contacting of Auditor-Controller staff upon the determination of a Proposition A contract solicitation. In addition, the Department will implement procedures to ensure Proposition A cost analysis comply with County guidelines. Target implementation date November 1, 2018.

AUDITOR-CONTROLLER RECOMMENDATION #5

CSSD management ensure staff sign confidentiality/conflict of interest statements prior to beginning the solicitation process.

Child Support Services Response:

The Child Support Services Department agrees with this finding and has implemented this recommendation. The Department developed a Contract Staff Disclosure Agreement and will ensure that contract staff/management understand and sign prior to commencement of the solicitation process. Implemented May 1, 2018

AUDITOR-CONTROLLER RECOMMENDATION #6

CSSD management develop and implement a Late Response Log for proposals received after the submission deadline.

Child Support Services Response:

The Child Support Services Department agrees with this finding and has implemented this recommendation. The Department developed a Proposal Late Response Log and will use during the next solicitation process. Implemented May 1, 2018

AUDITOR-CONTROLLER RECOMMENDATION #7

CSSD management ensure that training logs/records are maintained for all Contract Program Unit staff and managers.

Child Support Services Response:

The Child Support Services Department agrees with this finding and has implemented this recommendation. The Department developed a Training Log for all Contract Division staff and managers in addition to the current use of the County's Learning Net System. Implemented May 1, 2018

AUDITOR-CONTROLLER RECOMMENDATION #8

CSSD management establish written standards and procedures to adequately guide supervisors and staff in contract processes.

Child Support Services Response:

The Child Support Services Department agrees with this finding and will develop written standards and procedures to adequately guide staff and supervisors through the contract process in addition to its use of the ISD Contracting Manual. Target implementation date November 1, 2018.

AUDITOR-CONTROLLER RECOMMENDATION #9

CSSD management implement ongoing self-monitoring processes that include:
Examination of processes, such as review of an adequate number of transactions on a regular basis to ensure adherence to County rules. b) Documenting the monitoring activity and retaining evidence so it can be subsequently validated. c) Elevating material exceptions to management on a timely basis to ensure awareness of relative risk, and to ensure appropriate corrective actions are implemented.

Child Support Services Response:

The Child Support Services Department agrees with this finding and will develop written monitoring process to ensure that reviews are completed on an adequate number of transactions, that staff document

the monitoring activity, retain evidence, and notify management of any discrepancies in material that may require corrective action. Target implementation date November 1, 2018.

PRIORITY RANKING DEFINITIONS

Auditors use professional judgment to assign rankings to recommendations using the criteria and definitions listed below. The purpose of the rankings is to highlight the relative importance of some recommendations over others based on the likelihood of adverse impacts if corrective action is not taken and the seriousness of the adverse impact. Adverse impacts are situations that have or could potentially undermine or hinder the following:

- a) The quality of services departments provide to the community,
- b) The accuracy and completeness of County books, records, or reports,
- c) The safeguarding of County assets,
- d) The County's compliance with pertinent rules, regulations, or laws,
- e) The achievement of critical programmatic objectives or program outcomes, and/or
- f) The cost-effective and efficient use of resources.

Priority 1 Issues

Priority 1 issues are control weaknesses or compliance lapses that are significant enough to warrant immediate corrective action. Priority 1 recommendations may result from weaknesses in the design or absence of an essential procedure or control, or when personnel fail to adhere to the procedure or control. These may be reoccurring or one-time lapses. Issues in this category may be situations that create actual or potential hindrances to the department's ability to provide quality services to the community, and/or present significant financial, reputational, business, compliance, or safety exposures. Priority 1 recommendations require management's immediate attention and corrective action within 90 days of report issuance, or less if so directed by the Auditor-Controller or the Audit Committee.

Priority 2 Issues

Priority 2 issues are control weaknesses or compliance lapses that are of a serious nature and warrant prompt corrective action. Priority 2 recommendations may result from weaknesses in the design or absence of an essential procedure or control, or when personnel fail to adhere to the procedure or control. These may be reoccurring or one-time lapses. Issues in this category, if not corrected, typically present increasing exposure to financial losses and missed business objectives. Priority 2 recommendations require management's prompt attention and corrective action within 120 days of report issuance, or less if so directed by the Auditor-Controller or the Audit Committee.

Priority 3 Issues

Priority 3 issues are the more common and routine control weaknesses or compliance lapses that warrant timely corrective action. Priority 3 recommendations may result from weaknesses in the design or absence of a procedure or control, or when personnel fail to adhere to the procedure or control. The issues, while less serious than a higher-level category, are nevertheless important to the integrity of the department's operations and must be corrected or more serious exposures could result. Departments must implement Priority 3 recommendations within 180 days of report issuance, or less if so directed by the Auditor-Controller or the Audit Committee.