

LOS ANGELES COUNTY AUDITOR-CONTROLLER

Arlene Barrera
ACTING AUDITOR-CONTROLLER

Peter Hughes
ASSISTANT AUDITOR-CONTROLLER

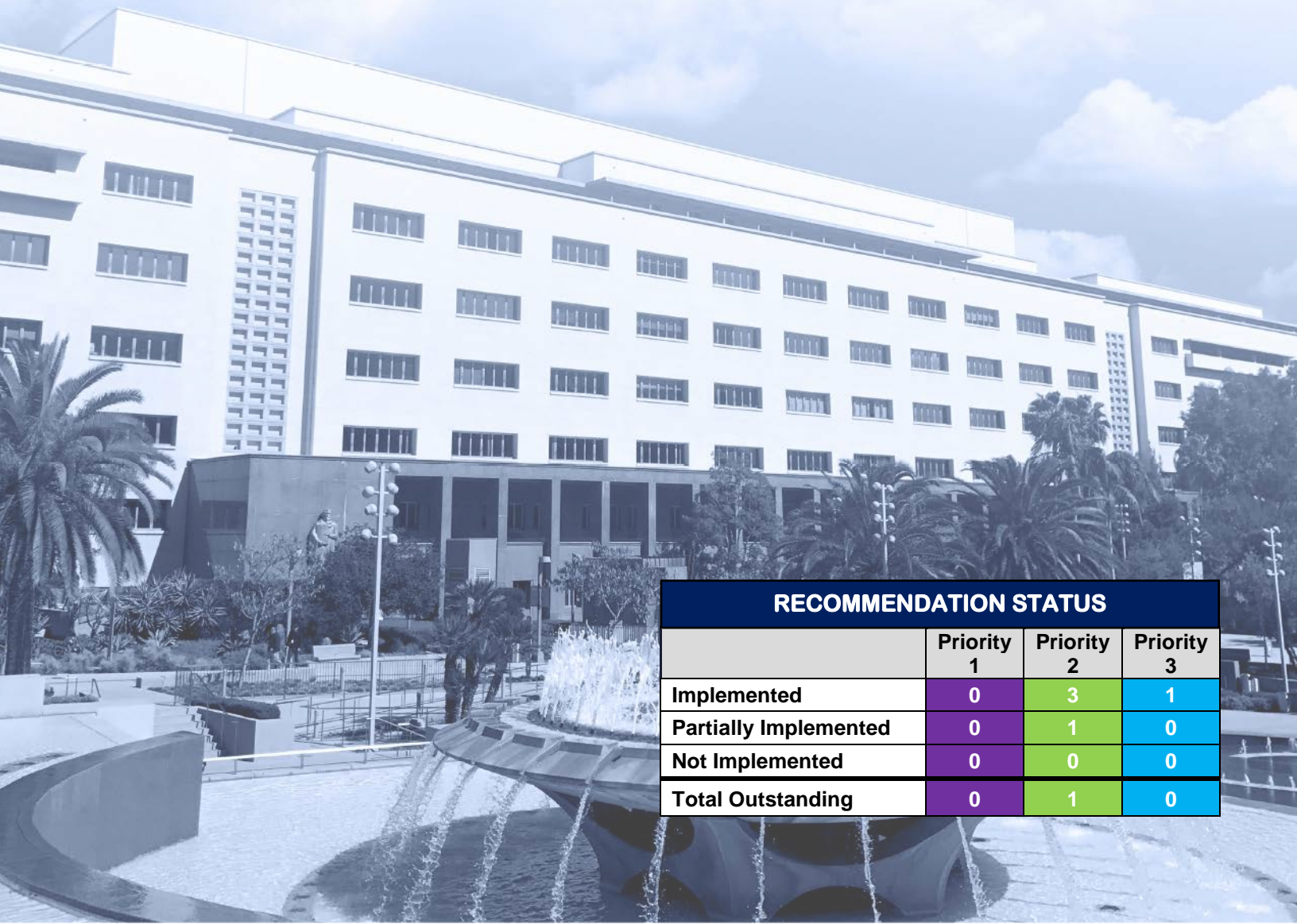
Mike Pirolo
ACTING DIVISION CHIEF

AUDIT DIVISION

May 20, 2019

Department of Health Services' Rancho Los Amigos National Rehabilitation Center

PURCHASING REVIEW FIRST FOLLOW-UP REVIEW



RECOMMENDATION STATUS			
	Priority 1	Priority 2	Priority 3
Implemented	0	3	1
Partially Implemented	0	1	0
Not Implemented	0	0	0
Total Outstanding	0	1	0



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



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

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-3873
PHONE: (213) 974-8301 FAX: (213) 626-5427

ARLENE BARRERA
ACTING AUDITOR-CONTROLLER

May 20, 2019

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

FROM: Arlene Barrera 
Acting Auditor-Controller

SUBJECT: **DEPARTMENT OF HEALTH SERVICES' RANCHO LOS AMIGOS
NATIONAL REHABILITATION CENTER – PURCHASING REVIEW
(REPORT #K18AN) - FIRST FOLLOW-UP REVIEW**

The Auditor-Controller's Audit Division has completed a follow-up review of the Department of Health Services' Rancho Los Amigos National Rehabilitation Center - Purchasing Review dated May 31, 2018 (Report #K18AN). The complete follow-up report is attached.

If you have any questions please call me, or your staff may contact Mike Pirolo at (213) 253-0100.

AB:PH:MP

Attachment (Report #K19DL)

c: Sachi A. Hamai, Chief Executive Officer
Fred Leaf, Interim Director, Los Angeles County Health Agency
Christina Ghaly, M.D., Director, Department of Health Services
Aries Limbaga, Chief Executive Officer, Rancho
Robin Bayus, Chief Financial Officer, Rancho
Jason Ginsberg, Chief, Supply Chain Operations
Arun Patel, M.D., Director, Patient Safety and Clinical Risk Management
Audit Committee
Countywide Communications



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

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ARLENE BARRERA
ACTING AUDITOR-CONTROLLER

ADDRESS ALL CORRESPONDENCE TO:
AUDIT DIVISION
350 S. FIGUEROA ST., 8th FLOOR
LOS ANGELES, CA 90071-1304

May 20, 2019

TO: Christina Ghaly, M.D., Director
Department of Health Services

FROM: Dr. Peter Hughes *Peter Hughes*
Assistant Auditor-Controller

Mike Pirolo, Acting Chief *MP*
Audit Division

SUBJECT: **DEPARTMENT OF HEALTH SERVICES' RANCHO LOS AMIGOS
NATIONAL REHABILITATION CENTER – PURCHASING REVIEW
(REPORT #K18AN) - FIRST FOLLOW-UP REVIEW**

We have completed a follow-up review of the Department of Health Services' Rancho Los Amigos National Rehabilitation Center (Rancho or Facility) - Purchasing Review dated May 31, 2018 (Report #K18AN). The status of corrective action for the five recommendations based on our review of relevant supporting documentation provided by the Facility, is summarized in Table 1.

Table 1 – Results of First Follow-up Review

	Priority 1	Priority 2	Priority 3	Total
Total Report Recommendations	0	4	1	5
Recommendation Status				
Implemented	0	3	1	4
Partially Implemented	0	1	0	1
Not Implemented	0	0	0	0
Total Outstanding	0	1	0	1

Attachment I provides details of our review and the Facility's actions to implement corrective action. Definitions of the Priority Rankings are included in Attachment II.

As indicated in our February 9, 2017 memorandum to the Audit Committee on audit follow-ups, we will conduct a second follow-up review of Priority 1 and Priority 2 recommendations that were not fully implemented at the time of our first follow-up review. Priority 3 recommendations will not be included in the second follow-up review unless specifically requested by the Audit Committee.

Follow-up Process

Board of Supervisors Policy 4.050 requires the Auditor-Controller (A-C) to follow up with departments to ensure they have taken corrective action to address audit recommendations. To assist the A-C in accomplishing this task, six months after an audit report is issued, departments must provide the A-C's Audit Division a *Corrective Action Implementation Report (CAiR)* that provides a detailed status of corrective action(s) taken to implement each recommendation in the report. For recommendations reported as implemented, departments must attach documentation to the CAiR that demonstrates the corrective action taken.

Our review consisted of an inspection and evaluation of Rancho's description of actions taken per the CAiR, the relevant documents and supporting evidence provided by the Facility, as well as inquiry and discussion with responsible departmental personnel. Our follow-up review did not constitute an "audit" and did not include a sampling of transactions for testing and verification purposes.

We thank Rancho management and staff for their cooperation and assistance during our review. If you have any questions, please call Mike Pirolo at (213) 253-0100.

PH:MP:JU:rc

Attachments

c: Arlene Barrera, Acting Auditor-Controller

**DEPARTMENT OF HEALTH SERVICES' RANCHO LOS AMIGOS NATIONAL REHABILITATION CENTER
PURCHASING REVIEW (REPORT #K18AN)
FIRST FOLLOW-UP REVIEW**

No.	RECOMMENDATION	PRIORITY	STATUS (1)	A-C COMMENTS
1	The Department of Health Services (DHS) Rancho Los Amigos National Rehabilitation Center (Rancho or Facility) management, establish a process/control to ensure two separate personnel approve all payments.	2	I	We confirmed that Rancho management obtained approval for an exception to receive one approval for payments less than \$5,000 and established controls that require two approvals for all other payments. In February 2019, the exception was reviewed and approved by DHS management, the Internal Services Department (ISD), and the Auditor-Controller (A-C).
2	Rancho management establish a process/control to ensure payment approvers are at or above the level of Accountant II.	2	PI	We confirmed that Rancho management internally approved an exception to allow their payment approvers in the County's electronic Countywide Accounting and Purchasing System (eCAPS) to be at or above the level of Intermediate Typist Clerk due to the lack of the required positions at or above the level of Accountant II on staff. However, this exception has not been approved by A-C or ISD. Rancho management will continue to work with A-C and ISD to receive all appropriate exception approvals.
3	Rancho management establish a process/control to ensure payment data entry, purchasing approval, and payment approval duties are separated.	2	I	We confirmed that Rancho management removed inappropriate roles to ensure payment data entry, purchasing approval, and payment approval duties are separated. In addition, we noted controls are in place on the eCAPS to prevent the same staff from entering and approving the same payment document.
4	Rancho management establish a process/control to ensure all sole source purchases are approved by a departmental manager at or above the level of Materials Manager.	2	I	We confirmed that Rancho management updated their training materials to include monitoring procedures that ensure all sole source purchases are approved by a departmental manager at or above the level of Materials Manager.

Footnotes

(1) Status definitions:

"I" indicates the department has fully implemented corrective action that is responsive to the recommendation.

"PI" indicates the department has partially implemented corrective action that is responsive to the recommendation.

"NI" indicates the department has not implemented corrective action that is responsive to the recommendation.

No.	RECOMMENDATION	PRIORITY	STATUS (1)	A-C COMMENTS
5	Rancho management include as part of their self-monitoring process/controls over their purchasing operations: a) Documenting the monitoring activity and retaining evidence so it can be subsequently validated. b) Clearly define each monitoring activity within internal policies and procedures.	3	I	We confirmed that Rancho management established a process that requires the documentation and evidence retention of monitoring activities. In addition, we confirmed that monitoring activities were clearly defined within the Facility's policies and procedures.

Footnotes

(1) Status definitions:

- "I" indicates the department has fully implemented corrective action that is responsive to the recommendation.
- "PI" indicates the department has partially implemented corrective action that is responsive to the recommendation.
- "NI" indicates the department has not implemented corrective action that is responsive to the recommendation.

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.