

LOS ANGELES COUNTY AUDITOR-CONTROLLER

Arlene Barrera
ACTING AUDITOR-CONTROLLER

Peter Hughes
ASSISTANT AUDITOR-CONTROLLER

Mike Pirolo
ACTING DIVISION CHIEF

AUDIT DIVISION

April 8, 2019

Department of Health Services' Harbor-UCLA Medical Center **PURCHASING REVIEW**



NUMBER OF RECOMMENDATIONS

PRIORITY 1

0

CORRECTIVE ACTION REQUIRED
WITHIN 90 DAYS

PRIORITY 2

6

CORRECTIVE ACTION REQUIRED
WITHIN 120 DAYS

PRIORITY 3

0

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 #K18EJ

LOS ANGELES COUNTY AUDITOR-CONTROLLER

Mission of Internal Audit

The mission of internal audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight.

Audit Team

Jesse Urbano, CIA, CRMA

Chief Accountant-Auditor

Rica Mae Cabigas, CIA

Principal Accountant-Auditor

Gabriela Casillas

Senior Accountant-Auditor

Wency Chacon, CPA

Intermediate Accountant-Auditor

LOS ANGELES COUNTY AUDITOR-CONTROLLER

Arlene Barrera
ACTING AUDITOR-CONTROLLER

Peter Hughes
ASSISTANT AUDITOR-CONTROLLER

Mike Pirolo
ACTING DIVISION CHIEF

AUDIT DIVISION

April 8, 2019

FACT SHEET

Department of Health Services' Harbor-UCLA Medical Center

PURCHASING REVIEW

With the support and active participation of the Department of Health Services' Harbor-UCLA Medical Center (Harbor or Facility), we evaluated the design of the Facility's purchasing processes and controls to determine whether they provide reasonable assurance to management that purchasing operations are appropriate, and in accordance with County and Facility purchasing requirements.

Key Outcomes

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

- Harbor will implement processes that will ensure complete detailed written procedures are in place over their purchasing operations, and that their purchasing operations comply with all County purchasing requirements, including appropriate separation of duties and ensuring retroactive payments do not occur.
- Harbor will implement processes that will ensure their purchasing monitoring activities are documented and evidence is retained for subsequent validation and are clearly defined in their internal policies and procedures.

Impact

These enhancements will provide greater assurance that goods and services purchased by the Facility are necessary and quantities are reasonable, reduce the risk of overpayments and employee improprieties, and assist in promptly identifying and correcting any control weaknesses or instances of non-compliance with purchasing rules.

FAST FACTS

For Fiscal Year 2017-18, Harbor had:

Processed over 53,700 transactions, totaling approximately \$92.8 million.

68 employees in the Procurement section.

5,948 budgeted employees and an expenditure budget of \$1.5 billion.

NUMBER OF RECOMMENDATIONS

PRIORITY 1

0

CORRECTIVE ACTION REQUIRED
WITHIN 90 DAYS

PRIORITY 2

6

CORRECTIVE ACTION REQUIRED
WITHIN 120 DAYS

PRIORITY 3

0

CORRECTIVE ACTION REQUIRED
WITHIN 180 DAYS



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 Mike Pirolo, Audit Acting Division Chief, at mpirolo@auditor.lacounty.gov or (213) 253-0100.

REPORT #K18EJ



**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

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

April 8, 2019

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

FROM: Arlene Barrera *Arlene Barrera*
Acting Auditor-Controller

SUBJECT: **DEPARTMENT OF HEALTH SERVICES' HARBOR-UCLA MEDICAL
CENTER – PURCHASING REVIEW**

The Auditor-Controller's Audit Division has completed a review of the Department of Health Services' Harbor-UCLA Medical Center's (Harbor or Facility) purchasing processes and controls. The complete audit 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 #K18EJ)

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
Kimberly McKenzie, RN, MSN, Chief Executive Officer, Harbor-UCLA
Azar Kattan, Chief Operations Officer, Harbor-UCLA
Jody Nakasuji, Chief Financial Officer, Harbor-UCLA
Jason Ginsberg, Chief, Supply Chain Operations
Arun Patel, MD, Director, Patient Safety and Clinical Risk Management
Audit Committee
Countywide Communications



**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

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

April 5, 2019

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

FROM: Dr. Peter Hughes 
Assistant Auditor-Controller

Mike Pirolo, Acting Chief 
Audit Division

SUBJECT: **DEPARTMENT OF HEALTH SERVICES' HARBOR-UCLA MEDICAL
CENTER – PURCHASING REVIEW**

We have completed a review of the Department of Health Services' Harbor-UCLA Medical Center's (Harbor or Facility) purchasing processes and controls. For details of our review, please see Attachment I, Table of Findings and Recommendations for Corrective Action, and Attachment II, Background and Audit Scope.

Review of Report

We discussed our report with Harbor and Supply Chain Operations (SCO) management. The Department's response (Attachment III) indicates **general agreement** with our findings and recommendations.

We thank Harbor and SCO 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' HARBOR-UCLA MEDICAL CENTER – PURCHASING REVIEW

TABLE OF FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION					
	ISSUE¹	RISK	RECOMMENDATION	P²	SUMMARY OF RESPONSE
1	<p>Management Monitoring of Internal Controls: Harbor-UCLA Medical Center (Harbor or Facility) does not have self-monitoring processes in place to ensure controls function as intended in the following areas, as required by County Fiscal Manual (CFM) Section 1.0:</p> <ul style="list-style-type: none"> • Ordering • Receiving • Invoicing/payment <p>Effective self-monitoring processes may include tests or observations examining an adequate number of transactions on a regular basis (e.g., 5 - 10 weekly, quarterly, semi-annually) to ensure adherence to policy, 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>	<p>Prevents management from having reasonable assurance that their objectives are being achieved.</p> <p>Increased risk of not promptly identifying and correcting any process/control weaknesses or instances of non-compliance.</p>	<p>Harbor management implement ongoing self-monitoring processes that include:</p> <p>a) Examination of process/control activities, such as review of an adequate number of transactions on a regular basis to ensure adherence to departmental and County policies.</p> <p>b) Documenting the monitoring activity and retaining evidence so it can be subsequently validated and clearly defining monitoring activities within internal policies and procedures.</p> <p>c) Elevating material exceptions to management on a timely basis to ensure awareness of relative control risk and to ensure appropriate</p>	2	<p>Agree Target Implementation Date: May 31, 2019</p> <p>Harbor's response (Attachment III) indicates they will develop ongoing self-monitoring processes that include examination of process/control activities, documenting the monitoring activity, and elevating material exceptions to management on a timely basis.</p>

¹ For background information about the processes reviewed, please refer to the Process Overview section in Attachment II.

² **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 IV for definitions of priority rankings.

TABLE OF FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION					
	ISSUE ¹	RISK	RECOMMENDATION	P ²	SUMMARY OF RESPONSE
			corrective actions are implemented.		
2	<p>Written Standards and Procedures: Harbor does not have complete detailed written procedures in place over their purchasing operations and controls.</p> <p>Standards and procedures should provide detailed guidance to staff and supervisors in the performance of 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 require an audit trail of key events where practical.</p> <p>For example, Harbor does not have formal written standards and procedures for prohibiting retroactive purchase orders, timely receipt of invoices, and properly identifying and resolving unmatched receiving reports.</p>	<ul style="list-style-type: none"> • Increased risk that staff will perform tasks incorrectly or inconsistently. • Increased effort required to train new staff. • Prevents management from effectively evaluating process/control environments. 	<p>Harbor management establish detailed written standards and procedures to adequately guide supervisors and staff in the performance of their duties for the entire purchasing process.</p>	2	<p>Agree Target Implementation Date: May 31, 2019</p> <p>Harbor's response indicates they will establish detailed written standards and procedures to adequately guide supervisors and staff in the performance of their duties for the entire purchasing process.</p>

¹ For background information about the processes reviewed, please refer to the Process Overview section in Attachment II.

² **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 IV for definitions of priority rankings.

TABLE OF FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION					
	ISSUE ¹	RISK	RECOMMENDATION	P ²	SUMMARY OF RESPONSE
3	<p>Separation of Duties: Harbor does not have proper controls in place to ensure appropriate separation of duties exist over their purchasing process, as required by CFM Section 4.1.3 and 4.5.5.</p> <p>Specifically, Harbor staff indicated that requisition approval roles in the Global Healthcare Exchange requisitioning system and purchase order and payment approval roles in the electronic Countywide Accounting and Purchasing System are assigned to the same staff.</p>	Increased risk of overpayments, purchasing unneeded items or in excessive quantities, and employee improprieties.	Harbor management establish a process/control to ensure requisition, purchase order, and payment approval duties are separated.	2	<p>Agree Target Implementation Date: May 31, 2019</p> <p>Harbor's response indicates they will establish a process/control to ensure requisition, purchase order, and payment approval duties are separated.</p>
4	<p>Retroactive Purchase Orders: Harbor does not have proper controls in place to ensure retroactive purchase orders do not occur, as required by CFM Section 12.6.0 and Internal Services Department Purchasing Policy PP-1100.</p> <p>Specifically, Harbor staff indicated that items are occasionally received without an approved purchase order due to either vendor error or staff overriding the established requisitioning process (e.g., an end-user ordering straight from the vendor without purchase order approval), resulting in a retroactive purchase order.</p>	<ul style="list-style-type: none"> • Overrides the normal procurement process and controls in place. • Increased risk of overpayments, purchasing unneeded items or in excessive quantities, and employee improprieties. • Prevents management from having reasonable assurance that they are receiving the best price(s). 	Harbor management establish a process/control to ensure purchase order approvals are obtained before purchases are made.	2	<p>Agree Target Implementation Date: May 31, 2019</p> <p>Harbor's response indicates they will establish a process/control to ensure purchase order approvals are obtained before purchases are made.</p>

¹ For background information about the processes reviewed, please refer to the Process Overview section in Attachment II.

² **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 IV for definitions of priority rankings.

TABLE OF FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION					
	ISSUE ¹	RISK	RECOMMENDATION	P ²	SUMMARY OF RESPONSE
5	<p>Price Quotes: Harbor does not have proper controls in place to ensure price quotes are obtained for non-agreement purchases under delegated authority, as required by CFM Section 4.4.2.4.</p> <p>Although the Facility has policies and procedures in place for price quotes under delegated authority, the Facility could not provide a quote for one non-agreement purchase they provided as part of our walkthrough.</p>	<ul style="list-style-type: none"> • Overrides the normal procurement process and controls in place. • Increased risk of overpayments, purchasing unneeded items or in excessive quantities, and employee improprieties. • Prevents management from having reasonable assurance that they are receiving the best price(s). 	<p>Harbor management establish a process/control to ensure price quotes are obtained for non-agreement purchases under delegated authority and documentation is retained.</p>	2	<p>Agree Target Implementation Date: May 31, 2019</p> <p>Harbor's response indicates they will establish a process/control to ensure price quotes are obtained for non-agreement purchases under delegated authority and documentation is retained.</p>
6	<p>Receiving Documents: Harbor does not have proper controls in place to ensure receiving documents are matched with requisitions and purchase orders before payment is processed, as required by CFM Section 5.2.4.</p> <p>Although the Facility has policies and procedures in place to ensure receiving documents are matched with requisitions and purchase orders before payment is made, the Facility could not provide a receiving document for one purchase they provided as part of our walkthrough.</p>	<ul style="list-style-type: none"> • Overrides the normal procurement process and controls in place. • Increased risk of overpayments, purchasing unneeded items or in excessive quantities, and employee improprieties. 	<p>Harbor management establish a process/control to ensure receiving documents are retained and matched with requisitions and purchase orders before payment is processed.</p>	2	<p>Agree Target Implementation Date: May 31, 2019</p> <p>Harbor's response indicates they will establish a process/control to ensure receiving documents are retained and matched with requisitions and purchase orders before payment is processed.</p>

¹ For background information about the processes reviewed, please refer to the Process Overview section in Attachment II.

² **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 IV for definitions of priority rankings.

DEPARTMENT OF HEALTH SERVICES'
HARBOR-UCLA MEDICAL CENTER – PURCHASING REVIEW
BACKGROUND AND AUDIT SCOPE

WHAT PROMPTED THE REVIEW	We reviewed the Department of Health Services' (DHS) Harbor-UCLA Medical Center's (Harbor or Facility) purchasing processes and controls in accordance with our plan to review procurement functions (e.g., purchasing, warehousing, and capital and non-capital assets) at all DHS facilities.
SCOPE AND OBJECTIVES	Our review primarily focused on evaluating the design of Harbor's processes and controls over purchasing to determine whether they provide assurance to management that their operations are appropriate and in accordance with County (County Fiscal Manual and Internal Services Department) and Facility requirements. Our review included interviewing Harbor and Martin Luther King, Jr. Outpatient Center (MLK) management and staff, examining procedures and controls, and conducting detailed walkthroughs of processes.
STANDARDS	We conducted our review in conformance with the <i>International Standards for the Professional Practice of Internal Auditing</i> .
PROCESS OVERVIEW	Harbor utilizes the Global Healthcare Exchange requisitioning system (GHX), which allows staff to create and process requisitions electronically. Once requisitions are approved, GHX interfaces with the electronic Countywide Accounting and Purchasing System (eCAPS) and DHS Supply Chain Operations Division management and staff conduct the purchase ordering, receiving, and payment functions.
RISKS & OPPORTUNITIES	Purchasing (i.e., ordering, receiving, invoicing) has various associated risks, including unnecessary purchases or excessive quantities, not receiving goods or services purchased, overspending budget constraints, and employee improprieties. Opportunities include efficient and effective acquisition of services and supplies needed to perform the daily operations of the Facility.
SCOPE EXCLUSIONS	Our review was limited to an evaluation of the design of the processes and controls over Harbor's purchasing. While our review included tests to confirm the existence of controls (e.g., interviews and walkthroughs), it did not include tests to identify whether processes and controls were consistently operating as designed or whether the Facility continually complied with County and Facility requirements. In addition, our review did not include the Facility's equipment, supply warehousing, contracting function, and information technology security and operations. The remaining areas either have or will be reviewed, and reported on separately.
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**

As indicated in County Fiscal Manual Section 1.0, 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.



February 19, 2018

Los Angeles County
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

TO: John Naimo
Auditor-Controller

FROM: Christina R. Ghaly, M.D.
Director

A handwritten signature in black ink, appearing to be "C. Ghaly", written over the printed name of Christina R. Ghaly.

SUBJECT: **RESPONSE TO AUDITOR-CONTROLLER'S PURCHASING
REVIEW OF THE DEPARTMENT OF HEALTH SERVICES'
HARBOR-UCLA MEDICAL CENTER.**

Christina R. Ghaly, M.D.
Health Agency Director

Hal F. Yee, Jr., M.D., Ph.D.
Chief Medical Officer

Attached is the Department of Health Services' response to recommendations made in the Auditor-Controller's report of Harbor-UCLA Medical Center's Purchasing Review.

We concur with and have taken or initiated corrective actions to address the recommendations contained in the report.

313 N. Figueroa Street, Suite 106
Los Angeles, CA 90012

Tel: (213) 288-7901

www.dhs.lacounty.gov

If you have any questions or require additional information, please contact Frank Weathers at (213)288-7775.

CRG:AP:AK:LC:fw

Attachment

*To ensure access to high-quality,
patient-centered, cost-effective
health care to Los Angeles County
residents through direct services at
DHS facilities and through
collaboration with community and
university partners.*

c: Arun Patel, M.D.
Azar Kattan
Jody Nakasuji
Kimberly McKenzie
Jason Ginsberg
Francisco Rea
Sandra Ruiz
Lawrence Crocker III



www.dhs.lacounty.gov

**DEPARTMENT OF HEALTH SERVICES' HARBOR-UCLA MEDICAL CENTER – PURCHASING REVIEW
DEPARTMENT ACTION PLAN/RESPONSE**

ISSUE 1: MANAGEMENT MONITORING OF INTERNAL CONTROLS	
A/C Recommendation	Harbor-UCLA Medical Center (Harbor) management implement ongoing self-monitoring processes that include: a) Examination of process/ control activities, such as review of an adequate number of transactions on a regular basis to ensure adherence to the departmental and County policies. b) Documenting the monitoring activity and retaining evidence so it can be subsequently validated, and clearly defining monitoring activities within internal policies and procedures. c) Elevating material exceptions to management on a timely basis to ensure awareness of relative control risk, and to ensure appropriate corrective actions are implemented.
Priority	PRIORITY 2
Agree/Disagree	Agree
Department Action Plan¹	Harbor management will implement ongoing self-monitoring processes that include: a) Examination of process/ control activities, such as review of an adequate number of transactions on a regular basis to ensure adherence to the departmental and County policies. b) Documenting the monitoring activity and retaining evidence so it can be subsequently validated, and clearly defining monitoring activities within internal policies and procedures. c) Elevating material exceptions to management on a timely basis to ensure awareness of relative control risk, and to ensure appropriate corrective actions are implemented.
Planned Implementation Date	5/31/19
Additional Information (optional)²	

ISSUE 2: WRITTEN STANDARDS AND PROCEDURES	
A/C Recommendation	Harbor management establish detailed written standards and procedures to adequately guide supervisors and staff in the performance of their duties for the entire purchasing process.
Priority	PRIORITY 2
Agree/Disagree	Agree
Department Action Plan¹	Harbor management will establish detailed written standards and procedures to adequately guide supervisors and staff in the performance of their duties for the entire purchasing process.
Planned Implementation Date	5/31/19

¹ In this section the Department should only describe the efforts they plan to take to implement the recommendation. Any other information should be included in the Additional Information section below.

² In this section the Department can provide any background or clarifying information they believe is necessary.

ISSUE 2: WRITTEN STANDARDS AND PROCEDURES	
Additional Information (optional) ²	

ISSUE 3: SEPARATION OF DUTIES	
A/C Recommendation	Harbor management establish a process/control to ensure requisition, purchase order, and payment approval duties are separated.
Priority	PRIORITY 2
Agree/Disagree	Agree
Department Action Plan ¹	Harbor management will establish a process/control to ensure requisition, purchase order, and payment approval duties are separated.
Planned Implementation Date	5/31/19
Additional Information (optional) ²	

ISSUE 4: RETROACTIVE PURCHASE ORDER	
A/C Recommendation	Harbor management establish a process/control to ensure purchase order approvals are obtained before purchases are made.
Priority	PRIORITY 2
Agree/Disagree	
Department Action Plan ¹	Harbor management will establish a process/control to ensure purchase order approvals are obtained before purchases are made.
Planned Implementation Date	5/31/19
Additional Information (optional) ²	

ISSUE 5: PRICE QUOTES	
A/C Recommendation	Harbor management establish a process/control to ensure price quotes are obtained for non-agreement purchases under delegated authority, and documentation is retained.
Priority	PRIORITY 2
Agree/Disagree	Agree
Department Action Plan ¹	Harbor management will establish a process/control to ensure price quotes are obtained for non-agreement purchases under delegated authority, and documentation is retained.

¹ In this section the Department should only describe the efforts they plan to take to implement the recommendation. Any other information should be included in the Additional Information section below.

² In this section the Department can provide any background or clarifying information they believe is necessary.

ISSUE 5: PRICE QUOTES	
Planned Implementation Date	5/31/19
Additional Information (optional) ²	

ISSUE 6: RECEIVING DOCUMENTS	
A/C Recommendation	Harbor management establish a process/control to ensure receiving documents are retained, and matched with requisitions and purchase orders before payment is processed.
Priority	PRIORITY 2
Agree/Disagree	Agree
Department Action Plan ¹	Harbor management will establish a process/control to ensure receiving documents are retained, and matched with requisitions and purchase orders before payment is processed.
Planned Implementation Date	5/31/19
Additional Information (optional) ²	

¹ In this section the Department should only describe the efforts they plan to take to implement the recommendation. Any other information should be included in the Additional Information section below.

² In this section the Department can provide any background or clarifying information they believe is necessary.

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.