Forensic Audit of County Contracts

Phase 2 Presentation of Findings

Weaver and Tidwell, L.L.P.

- *Travis Casner, CFE (Partner)*

Scope of Work

- Forensic audit of 2,552 contracts established between January 2019 – August 2024 totaling approximately $4.3 billion.

Summary of Contracts Included in Forensic Audit Scope (By Phase)			
Phase	No. of Contracts		Contract Amount
Phase 1 (Top Priority Contracts)	145	$	486,187,115
Phase 2 (High Priority Contracts)	681		1,712,996,693
Phase 3 (Medium Priority Contracts)	731		1,012,238,280
Phase 4 (Low Priority Contracts)	995		1,055,919,677
Total	**2,552**	**$**	**4,267,341,766**

Scope of Work

- Summary of 681 Phase 2 contracts by Department / Agency:

Summary of Phase 2 Contracts by Department / Agency		
County Department / Agency	**No. of Contracts**	**Contract Amount**
HCA (Health Care Agency)	301	$ 1,506,298,656
CEO (County Executive Office)	223	108,791,987
OCCR (OC Community Resources)	127	41,376,320
SSA (Social Services Agency)	29	54,029,730
OCPW (Public Works)	1	2,500,000
Total	**681**	**$ 1,712,996,693**

Scope of Work

Weaver Work Plan for Phase 2 Contracts:

- Work Step 1: Planning/Kickoff Meetings
- Work Step 2: Research/Investigation of Vendors
- Work Step 3: Review of Procurement Process and Competitive Bidding
- Work Step 4: Review of Payment Records
- Work Step 5: Review of Emails / Other Communications
- Work Step 6: Evaluation of Compliance with Local/State/Federal Requirements
- Work Step 7: Written Draft Report of Findings
- Work Step 8: Presentation of Findings to the Board

Summary of Findings

A. OCAPICA Subcontract with Warner Wellness

- County pushed for OCAPICA to subcontract with Warner Wellness
- Dr. Chau dismissed concerns of a conflict of interest involving Warner Wellness
- Alleged conflict of interest was inadequately investigated

<u>Weaver Recommendation:</u>

- Weaver recommends that the County establish a process that requires allegations of conflicts of interest to be formally documented, investigated and resolved by County Counsel or an independent ethics/compliance function.

Summary of Findings

B. Contract with Bridgecreek Realty Investment Corp.

- Supporting documentation not provided to County for 54% of expenditures
- Contract extended after expiration of the original contract
- Payments to HD Construction for the benefit of Perfume River Restaurant

Weaver Recommendation:

- We recommend the County include contractual requirements for subrecipient grant recipients (i.e., Bridgecreek) to provide supporting documentation for expenditures, including invoices and receipts.

Summary of Findings

C. Contract with RX Consultants Group, Inc. (dba Mercy Pharmacy)

- Lack of transparency in the vendor selection process for COVID-19 vaccination services
- Contract executed 4 months after start of services being provided
- Invoices did not include required supporting documentation
  - Invoices submitted by Mercy Pharmacy totaling $748,720 for the January 2021 – June 2021 time period contained limited information
  - Contract required Mercy Pharmacy to provide a report of claim data to the County on a monthly basis; no documentation was provided
  - Unclear if Mercy Pharmacy invoiced the County for all vaccines or only those where payment was unable to be recovered through insurance

Summary of Findings

D. Retroactive contracts executed subsequent to services being provided

- We identified 8 contracts during Phase 2 where services were provided prior to the execution of the contract, and the contract was executed more than 30 days after the contract start date (4 awarded by HCA and 4 awarded by OCCR)
- We identified a Retroactive Contract Approval Request for only 1 of the 8 contracts above.

<u>Weaver Recommendation:</u>

- The County should ensure that contracts are executed prior to services being performed by the contractor as the contract creates a legally enforceable agreement that clearly defines the scope of work, pricing, deliverables, performance expectations, and responsibilities of both parties, as well as preserves the County's legal recourse.
- Retroactive contract approvals should be limited and include formal authorization documenting the retroactive contract approval and justification for retroactive approval.

Summary of Findings

E. Contracts with RFP Procurement and Only 1 Respondent

- We identified 28 contracts procured through a RFP process in which only 1 proposal was received (25 contracts awarded by HCA, 2 by SSA and 1 by OCCR)
- While receipt of a single proposal does not necessarily indicate a procurement deficiency or require cancellation of the solicitation, limited competition reduces the County's ability to compare alternative approaches, pricing structures, and qualifications

<u>Weaver Recommendation:</u>

- We recommend that the County update the Contract Policy Manual to establish guidance for procurements in which only one proposal is received in response to an RFP

Summary of Findings

F. Contract with 360 Clinic – Analysis of Uncollectible Claims Data

- Weaver was unable to obtain supporting documentation from 360 Clinic for the Uncollectible Claims for COVID-19 tests (68,935 tests totaling $3,446,750 in payments by the County)
- In lieu of supporting documentation from 360 Clinic, Weaver obtained from HCA the test kit data provided to the County by the lab that performed the testing, to cross-reference patient names and date of service
- County payments to 360 Clinic associated with the 2,646 tests included on the Uncollectible Claims Reports that were unable to be verified totaled $132,300 ($50 per test), including 1,574 tests that appeared to be double-billed and 1,072 tests that did not have a record in the test kit data.

Summary of Findings

F. Contract with 360 Clinic – Analysis of Uncollectible Claims Data

Weaver Recommendation:

- We recommend that this matter be referred to County Counsel for further review and investigation to determine whether any amounts paid by the County to 360 Clinic are able to be recouped for the 2,646 tests representing $132,300 in payments that appeared to be double-billed or could not be verified in the test kit data provided by Fulgent Labs.

Questions

Link to Weaver Forensic Audit Report for Phase 2:
https://iad.oc.gov/audit-reports/fiscal-year-2025-26