

Management Audit of Social Services Agency Administration and Support Services

**Prepared for the
Board of
Supervisors of
the County of
Santa Clara by
the
Management
Audit Division**

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**September 21,
2012**

County of Santa Clara

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September 21, 2012

Supervisor Ken Yeager, Chair
Supervisor Dave Cortese, Vice Chair
Board of Supervisors Finance and Government Operations Committee
70 West Hedding Street
San Jose, CA 95110

Dear Supervisors Yeager and Cortese:

We have completed the *Management Audit of Social Services Agency Administration and Support Services*. This audit was authorized by the Board of Supervisors of the County of Santa Clara as part of the County's Fiscal Year 2010-11 Management Audit Program, pursuant to the Board's power of inquiry specified in Article III, Section 302(c) of the County Charter. This audit was conducted in conformity with the United States Government Accountability Office (GAO) Audit Standards. The Board of Supervisors selected the audit topic after considering the County-wide audit risk assessment conducted annually by the Management Audit Division in accordance with Board policy.

The purpose of the management audit was to examine the operations, management practices and finances of the Social Services Agency's (SSA) administrative and support functions, and to identify opportunities to increase their efficiency, effectiveness and economy. This report includes eight findings, and 36 recommendations, related to facilities, printing, collections, General Assistance program policies, management of contracts, information technology, and the organizational structure. As part of our fieldwork, two surveys were conducted of relevant operations in comparable counties. The results of these surveys are shown in the introduction of the attached report.

If the County were to implement the recommendations in this report, at least \$3.8 million would be saved or generated every year going forward, with the vast bulk of the savings in

the General Fund. Further, there could be substantial additional savings and/or revenues related to collections and contract management that cannot readily be quantified at this time.

Implementation of the recommendations in this report would:

- Enhance the evaluation of complex lease versus own property decisions that come to the Board of Supervisors periodically for review and approval, by ensuring that the Board receives the financial information necessary to make such determinations. As an example, the Board will be required to make such a determination at least nine months prior to March 31, 2017, when the five-year option period on the current lease of the SSA administrative offices at 333 and 373 West Julian Street expires. The total current annual lease cost of these offices exceeds \$10.5 million (\$3.02 per square foot) on two properties with a total assessed value of \$55,080,000. While on an overall basis, the Social Services Agency has received an average of about 89 percent federal and State reimbursement of its costs, property lease costs historically have been funded between 40 to 50 percent by the General Fund.
- Improve security, reduce theft of Social Services Agency assets, and ensure continued reduction of excess SSA warehouse space;
- Reduce printing costs;
- Improve practices related to collection of outstanding debt, which has grown from \$83 million to \$98 million (an increase of 18 percent) over the last two fiscal years
- Modernize certain General Assistance program policies, reducing the outstanding debt (unreimbursed prior aid paid to G.A. clients), and reducing the substantial cost of nonproductive collections efforts;
- Reduce unauthorized payments to contractors, and improve the efficiency of contract management;
- Improve the planning and management of technology projects, and reduce duplication of IT and CalWIN helpdesk services;
- Strengthen reporting lines and reduce excess management

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In addition, this report addresses the insufficiency of policies related to the hiring and assignment of relatives, and the need to bring selected staff into compliance with State-mandated continuing education requirements.

We would like to thank all of the staff and management of the Social Services Agency and the management of the County-wide Facilities and Fleet Department for their generous and patient assistance to us during this audit. Their cooperative assistance and helpful insights are greatly appreciated.

Respectfully submitted,



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MANAGEMENT AUDIT OF SOCIAL SERVICES AGENCY (SSA) ADMINISTRATION AND SUPPORT SERVICES

AUDIT SYNOPSIS

The purpose of the management audit was to examine the operations, management practices and finances of the Social Services Agency's administrative and support functions, and to identify opportunities to increase their efficiency, effectiveness and economy. This report includes eight findings, and 36 recommendations, related to facilities, printing, collections, General Assistance program polices, management of contracts, information technology, and the organizational structure. If the County were to implement the report's recommendations, at least \$3.8 million would be saved or generated every year going forward, with the vast bulk of the savings in the General Fund.

KEY FINDINGS

- SSA has an excessive amount of leased warehouse space, which in 2012 amounted to about 43 square feet for each of the Agency's employees. A factor in the excessive warehouse space is the Agency's practice of storing equipment rather than deploying or disposing of it, as well as a lack of adequate record-keeping and control over warehouse inventory. In addition, security at some facilities is lax, and there are no policies related to warehouse operations.
- The County recently entered into a lease for SSA office space that will cost almost two times more than the building, improvements and maintenance are worth, and associated improvements and related costs were not properly planned, budgeted for or monitored by the Agency, resulting in an estimated \$6.8 million in excess costs to the General Fund.
- SSA operates a Publishing Services function with two staff and four printer/copiers. Although SSA also buys printing services from Central Printing Services, its use of that service has declined in recent years, even though each copy is cheaper when published centrally rather than by SSA.
- SSA operates a unit to collect debts. As of June 30, 2011, the unit was working to collect an estimated \$98 million worth of outstanding debt; this balance increased by 18 percent over the prior two fiscal years. Efficient collection of these debts is hampered by large caseloads, the unit's inability to accept many common forms of payment, and its lack of a website.
- Both the annual G.A. benefit expenditures by the General Fund and the total outstanding debt are growing rapidly, particularly for persons considered "employable." Some counties have staff specifically assigned to review and verify Social Services debts prior to forwarding the amounts to collections staff; Santa Clara does not.
- As a result of weaknesses in contract management, the County has sometimes made payments and expended monies due to SSA's payment of invoices that were not supported with proper documentation.
- Despite the millions of dollars at stake, technology-related projects are currently carried out without the benefit of an implemented strategic technology plan, without knowledge of total project costs (namely IS staffing costs), and without collaboration on project prioritization amongst the Social Services Agency's client departments.
- SSA operates two helpdesks that support different systems but perform similar duties. The operation of two separate helpdesks for one agency has resulted in excessive staffing.

A copy of the full report is available at:
<http://www.sccgov.org/managementauditor>

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Executive Summary

This *Management Audit of Social Services Agency Administration and Support Services* was authorized by the Board of Supervisors of the County of Santa Clara as part of the County's Fiscal Year 2010-11 Management Audit Program, pursuant to the Board's power of inquiry specified in Article III, Section 302(c) of the Santa Clara County Charter. The Board of Supervisors selected the audit topic after considering the annual County-wide audit risk assessment conducted by the Management Audit Division in accordance with Board policy. The purpose of the management audit was to examine the operations, management practices and finances of the Social Services Agency's (SSA) administrative and support functions, and to identify opportunities to increase their efficiency, effectiveness and economy. This report includes eight findings, briefly highlighted below.

1. Leasing of Facilities and Warehouse/Facility Security

The Social Services Agency has an excessive amount of leased warehouse space, which in 2012 amounted to about 43 square feet for each of the Agency's employees. The Agency is taking steps to reduce this space, and plans to cease leasing almost 70,000 square feet of space within the next two years. A factor in the excessive warehouse space is the Agency's practice of storing equipment rather than deploying or disposing of it, as well as a lack of adequate record-keeping and control over warehouse inventory. In addition, security at some facilities is lax, and there are no policies related to warehouse operations. Finally, the County recently entered into a lease for SSA office space that will cost almost two times more than the building, improvements and maintenance are worth, and associated improvements and related costs were not properly planned, budgeted for or monitored by the Agency, resulting in an estimated \$6.8 million in excess costs to the General Fund. We recommend improvements to warehouse and facility controls, warehouse management, and development of analyses of the cost effectiveness of lease-vs-buy for Board review prior to entering into future leases, among other improvements.

2. Central County Printing Services vs. Duplicative SSA Publishing Services

The Social Services Agency operates a Publishing Services function with two staff and four printer/copiers. Although SSA also buys printing services from Central Printing Services, its use of that service has declined in recent years, even though each copy is cheaper when published centrally rather than by SSA. Elimination of the SSA in-house print service and instead publishing centrally, in conjunction with other adjustments, would save an estimated \$120,000 per year.

3. Improving SSA Collection Unit Practices

The Social Services Agency operates a unit to collect debts. As of June 30, 2011, the unit was working to collect an estimated \$98 million worth of outstanding debt; this balance increased by 18 percent over the prior two fiscal years. Efficient collection of these debts is

hampered by large caseloads, the unit's inability to accept many common forms of payment, and its lack of a website. Debtors cannot pay by debit or credit cards, and cannot pay over the internet or telephone, and cannot access information about their debts or payment option on a website. By reducing caseloads and improving collections tools, the Department could improve its collections and generate additional revenue.

4. Revising General Assistance Policies and Collection Procedures

California law requires counties to provide support to their indigent populations. Each County has its own "General Assistance" (G.A.) program for that purpose. Both the annual G.A. benefit expenditures by the General Fund and the total outstanding debt are growing rapidly, particularly for persons considered "employable." Some counties have staff specifically assigned to review and verify Social Services debts prior to forwarding the amounts to collections staff; Santa Clara does not. As a result of the lack of verification, collections staff lack confidence in the accuracy of all debts, and especially manually figured G.A. debts. The persistent uncertainty about the amount of money that is actually owed by debtors increases the costs of collections, as collections cease while accounts are referred back to benefits staff to research questionable amounts, and as the County incurs costs in court proceedings regarding disputed debts, among other costs. In addition, collections, research, and dispute hearings for these debts divert staff from efforts to recoup other debts. By revising the County's aid policies and improving administrative processes for establishing, verifying, and collecting all social services debts, the County would improve the cost effectiveness of collections, reduce delays that generate unnecessary costs, and improve collection of reimbursements. Implementation of these recommendations would save the General Fund more than \$1 million annually.

5. SSA Contract Management and Audits

Social Service Agency contracts, memorandums of understanding, inter-agency agreements and service agreements are managed by the Office of Contracts Management (OCM). In FY 2011-12, OCM managed 280 contracts valued at more than \$54.3 million. This management includes procurement and compliance, fiscal and program monitoring. As a result of weaknesses in contract management, the County has sometimes made payments and expended monies due to SSA's payment of invoices that were not supported with proper documentation. An internal review of just 14 agencies with 37 contracts – just 13 percent of the agreements in place in FY 2009-10 recovered \$111,000 worth of such payments. Such reviews have not occurred in the past. Restructuring the department will allow management to have greater flexibility to redistribute work load when necessary and will create more efficient and consistent contract management and result in a small amount of savings. Expanding fiscal monitoring will reduce the amount of money paid out to agencies for unauthorized charges and duplicative payments. Also, this monitoring will enable the County to recoup monies already paid to agencies. The County recouped \$111,000 in FY 2010-11 with limited onsite review. An expansion of onsite reviews likely would result in greater

future recoveries and/or reduce the need for recovery. Net benefits from implementation of all recommendations in this section may be substantial.

6. Improving Information Technology Project Planning and Management

The Social Services Agency spends millions of dollars annually on information systems. Its Information Services (IS) Division operates and maintains information systems, project management, helpdesk and technical field support, applications and business intelligence, network and telecommunication support, system engineering support, and systems security for the entire Agency. In FY 2010-11, IS's Project Management Office (PMO) spent \$3.1 million on new technology-related projects, and these expenditures are likely to continue. Despite the millions of dollars at stake, technology-related projects administered by the PMO are currently carried out without the benefit of an implemented strategic technology plan, without knowledge of total project costs (namely IS staffing costs), and without collaboration on project prioritization amongst the Agency's client departments. While it is difficult to quantify how these inefficiencies have impacted its operations, the Agency should adopt a strategic technology plan and create an IT steering committee, in order to improve the allocation of technology resources to effectively and efficiently meet the Agency's needs. It should also include internal staffing costs as a part of total project costs. This would better inform decision-making with respect to project prioritization and implementation.

7. Consolidating SSA CalWIN and Information Services

The County of Santa Clara's Social Services Agency is part of a consortium of 18 counties that collectively develop and operate a Social Services benefits administration system known as CalWIN. The division consists of application and triage support (operating as a helpdesk), program analysis and support, and decision support and research. The CalWIN Division's helpdesk is in addition to the separate helpdesk operated by the Information Services Division of the Agency. The two helpdesks support different systems, but they perform similar duties. In addition, the CalWIN Division includes functions that are more in line with other Agency operations. Continued housing of those functions in CalWIN reduces organizational efficiency, and has resulted in the hiring of additional management. The operation of two separate helpdesks for one agency has resulted in excessive staffing in that there are two managers, and 25 line staff. By combining the two desks, the Agency could eliminate one manager position and three line positions for a savings of approximately \$560,000. In addition, Auditors recommend reorganizing portions of the CalWIN unit within SSA to improve organizational efficiency, and reducing a Management Analyst position, for an additional savings of approximately \$130,000 per year.

8. Consolidating Fragmented Administrative and Support Functions

The Social Services Agency has a decentralized support structure. Administrative and support functions are divided into the Departments of Operational Services, Administrative

Services, Financial Management Services and Equal Opportunity/Civil Rights. Consolidation of the Departments of Operational Services and Administrative Services, consisting of Information Services, Government Relations and Planning, Staff Development and Training, Human Resources, Special Investigations and Central Services, would enable the administrative functions to be managed by a single Deputy Director, rather than the current two Deputy Directors. In addition, consolidation into one department the existing units of Financial Management Services, the Office of Contracts Management and Purchasing would streamline fiscal functions. This unit would report to the existing Chief Fiscal Officer. Consolidation and reorganization will create efficiencies and facilitate better communication among the departments. Structural and position changes will save the County approximately \$178,000 in General Fund monies.

Introduction

This *Management Audit of Social Services Agency Administration and Support Services* was authorized by the Board of Supervisors of the County of Santa Clara as part of the County's Fiscal Year 2010-11 Management Audit Program, pursuant to the Board's power of inquiry specified in Article III, Section 302(c) of the Santa Clara County Charter. The Board of Supervisors selected the audit topic after considering the annual County-wide audit risk assessment conducted by the Management Audit Division in accordance with Board policy.

Purpose and Scope

The purpose of the management audit was to examine the operations, management practices and finances of the Social Services Agency's (SSA) administrative and support functions, and to identify opportunities to increase their efficiency, effectiveness and economy.

As part of this management audit, the Management Audit Division conducted more than 60 survey and fieldwork interviews with managers, supervisors and line staff in all portions of SSA Administration and Support Services. Some of these interviews included tours of facilities. We also reviewed policies and procedures, and internal management information or other reports related to the operations, and we requested and analyzed data from various information systems. Finally, we conducted a survey of other social services in the largest California counties in order to identify and compare key differences in practices in those counties versus the County of Santa Clara.

Audit Methodology

This management audit was conducted under the requirements of the Board of Supervisors Policy Number 3.35, as revised on July 22, 2010. That policy states that management audits are to be conducted under generally accepted government auditing standards issued by the United States Government Accountability Office. This audit is in compliance with the 2007 revision of those standards. In accordance with these requirements, we performed the following management audit procedures:

Audit Planning—This management audit was selected by the Board of Supervisors after considering a risk assessment analysis developed by the Management Audit Division at the Board's direction. After audit selection by the Board, a preliminary management audit work plan was developed, and the Board's letter of introduction was provided to the auditee.

Entrance Conference—An entrance conference was held on July 21, 2011 with the Social Services Agency's Acting Director and other senior staff to introduce the management audit team, describe the management audit program and scope of review, and respond to questions. The preliminary management audit work plan and a request for background information were also provided at the entrance conference.

Pre-Audit Survey—Audit staff reviewed documentation and interviewed 56 managers, supervisors and line staff to obtain an overview understanding of SSA Administration and Support Services, and to isolate areas of operations that warranted more detailed assessments. Based on the pre-audit survey, the work plan for the management audit was refined in early January.

Field Work—Field work activities were conducted after completion of the pre-audit survey, and included: (a) additional interviews with managers, supervisors and line staff; (b) tours of facilities; (c) a further review of documentation and other materials; (d) analyses of data collected manually and electronically from systems; and, (e) surveys of other County agencies to measure performance and to determine organizational and operational alternatives that might warrant consideration by the County of Santa Clara.

Draft Report—On February 24, 2012, an initial draft report was prepared and provided to SSA management for their review and feedback.

Exit Conference—An exit conference was held on March 5, 2012 with the Acting Agency Director and other staff to collect additional information pertinent to our report, to obtain comments on the report findings, conclusions and recommendations, and to make corrections and clarifications as appropriate. Following the exit conference, Audit staff was immediately diverted to address the February 1, 2012 dissolution of the County’s Redevelopment Agencies, which continued through the release of the final report. During this time, the report was revised twice, with each revision provided to Agency management for its review and use in preparing a formal written response.

Final Report—Finally, this final report was prepared and issued. The Agency’s written response is attached to the final report.

Description of Social Services Agency Administration and Support Services

The audit of Social Services Agency Administration and Support Services encompassed the services of approximately 341 full-time-equivalent (FTE) positions with an operating budget of \$119 million in FY 2011-12. These staff provide administrative and support services to approximately 2,041 FTEs who work in the Department of Aging and Adult Services, the Department of Employment and Benefits Services, and the Department of Family and Children’s Services. The administration and support staff are responsible for management of a total budget in excess of \$600 million, and ensuring the provision of a wide variety of critical services to hundreds of thousands of County residents. These largest of these services include health insurance to low-income residents, cash and food aid, job assistance, care for disabled persons, and protective and investigative services for elderly and child victims of abuse.

Administrative and support functions include the Agency Director’s Office, and staff responsible for management of contracts, government relations and planning, program

evaluation, CalWIN, information services, training and professional development, financial services, human resources, Countywide disaster response functions over the public welfare branch, facilities, fleet, purchasing, welfare fraud investigations, and civil rights. A description of the major areas included in the scope of the audit is provided below, and an organizational chart is provided as Attachment I.1.

Agency Administration

Agency Administration includes the Director of the Social Services Agency, and an Executive Assistant. As of November, 2011, the director oversees seven managers, consisting of the Deputy Director for Operations, the Deputy Director for Administration, the Equal Opportunity Officer, the Chief Fiscal Officer, the Director of Adult and Aging Services, the Director of Employment and Benefits Services, and the Director of Family and Children's Services. Those units that are part of administrative and support services are described as follows.

Department of Operational Services

This department is headed by a Deputy Director and supported by a half-time Executive Assistant, and staffed by 171 FTEs in the following divisions: CalWIN¹, Information Systems, Government Relations and Planning, the Office of Contracts Management, and Staff Development and Training. These units provide the following services:

- The CalWIN unit, staffed with 39 FTEs, is headed by an Information Technology Specialist. The unit supports the CalWIN system, which is an integrated, on-line, real-time automated system to support eligibility and benefits determination, client correspondence, management reports, interfaces and case management for public assistance programs. These staff responsible for Program Analysis and Support, Decision Support and Research, and Application "triage" efforts. Remaining staff are dedicated to administrative responsibilities, special projects and technical/production support. In a nutshell, the unit keeps the system functional and works to resolve technical problems, and ensure that the system stays in compliance with changes in benefits rules.
- Information Systems has 76 FTEs, and is headed by the Agency's Director of Information Services. Services include an Agency-wide help desk and technical support, Agency-wide application/business intelligence development, application and business intelligence development dedicated to the Department of Family and Children's Services, support for network and telecommunications services, information systems project management, systems engineering support, and systems security.
- Government Relations and Planning is staffed by nine FTEs and each unit is headed by a Management Analysis Program Manager III. Major services include

¹ California Work Opportunity and Responsibility to Kids Information Network.

management and support of agency-wide organizational development initiatives and programs; development, supervision and management of evaluation and planning; legislation and policy development; media, governmental and community relations; grants development and contract management. These services are mainly divided between the Department of Employment and Benefit Services and the Department of Family and Children's Services, with responsibilities shared between Administrative Services and the Department of Aging and Adult Services. In addition, one of the program managers serves as the staff person to the Joint Lifeline Transportation Committee, which is responsible for distribution of transportation funds to vulnerable members of the community and overseen by the Metropolitan Transportation Commission. Government Relations and Planning also provides staff support for the public welfare branch of the County Emergency Operations Center in the event of a disaster. This is a legally mandated function and includes the oversight of the mass care and shelter functions of emergency response.

- The Office of Contracts Management is staffed by 13 FTEs, with each of the two units headed by a Program Manager II. The units, staffed by accountants and management analysts, are tasked with managing the Agency's contracts.
- Staff Development and Training is headed by a Program Manager II and is staffed by 32 FTEs. The office provides training for all staff, as well as department-specific training to each of the Agency's three departments that provide service to the public, as well as training specific to support personnel.

Department of Administrative Services

This department is headed by a Deputy Director supported by a half-time Executive Assistant, and staffed by 96 FTEs in the following divisions: Central Services, Human Resources, and Special Investigations. These units provide the following services:

- Central Services is headed by a Central Services Manager and staffed by 65 FTEs. These staff manage records, operate mail and printing services, as well as warehouse and supply operations. This unit also provides purchasing services and manages the Agency's facilities and vehicle fleet. Lastly, its team of protection officers is responsible for the security of the agency's facilities, clients and staff.
- The Human Resources unit is headed by a Program Manager II and is staffed by 17 FTEs. These staff are responsible for recruitment, benefits, payroll, leaves and other HR changes and transactions. The unit also recently took on responsibility for the agency's worker's compensation program.
- The Special Investigations Unit is headed by a Fraud Investigator Supervisor and is staffed by 12 FTEs. The unit is responsible for a variety of welfare fraud investigations.

Equal Opportunity/Civil Rights

The Agency's Equal Opportunity Officer reports to the Agency director and manages four FTEs. This unit is responsible for investigating all equal opportunity, discrimination and harassment complaints. In addition, the unit is the Agency's Civil Rights Coordinator, and conducts training regarding client complaints.

Financial Management Services

This unit is managed by the Chief Financial Officer, who oversees 84 FTEs in the following areas: Benefits Issuance and Collections, Accounts Receivable, Accounts Payable, Claims and Fund Management, Revenue Control, Budget Administration including forecasting, position control and statistical reporting, and Public Administrator Accounting, including Court Accounting, Tax Services, Payables and Receivables, Provider and Payroll Services and Financial Systems integrity. Financial Management is responsible for County, state and federal budget planning, code control, time studies, organizational charts, management of funds, cash and the accounting structure and other similar financial responsibilities.

Accomplishments

Management audits typically focus on opportunities for improvements within an organization. This section of the Introduction thus summarizes some of the current noteworthy achievements of SSA Administration and Support Services. These achievements are discussed in greater detail in Attachment I.2.

Topics Requiring Additional Review

Some issues identified during a management audit either are not of sufficient significance to warrant the preparation of a separate finding, or there are not sufficient hours budgeted for the audit to conduct the review and analysis of the issue. In such cases, these lesser issues are reported in the Introduction so that the auditee and the Board are apprised of the issue and can take appropriate action, as necessary. Audit staff identified one such issue, which is reported below.

Insufficient Policies Related to the Hiring and Assignment of Relatives

Section 706 of the Charter of the County of Santa Clara states:

“The spouse, and the parent, child, brother or sister whether by blood or marriage, of any officer or department head shall not be eligible for appointment by such officer or department head to any office or employment.”

Neither the County nor the Social Services Agency has a nepotism policy, and there is no policy that governs the hiring or assignment of related staff who are not “appointed” by

immediate family, and nothing prohibits an employee from working closely with or supervising their immediate relatives, roommates, or partners. There is a 1979 memo from the County Executive at the time that stated that the Charter prohibition also applies to employees who may hire someone using the delegated authority from an officer or department head, but this memo is not part of any policy.

The Benefits Service Centers of the Social Services Agency historically have employed a few immediate relatives, and presently employs immediate relatives, and persons who share the same address. Presently, approximately three percent of addresses are shared by employees, and some relatives are known to work in Benefits, who do not share an address.

For example, the Agency hired a Social Services Program Manager I, who oversees 77 positions at the Benefits Service Center at 1877 Senter Road. That employee's mother and step-father also work at that location. When the Program Manager I was hired, his mother would have directly reported to him, had the hiring manager not reorganized the unit to prevent that. No policy requires such reorganization. The manager addressed the potential conflicts of interest by ensuring that the employee was not directly overseeing his parents, who themselves each work under one of the other two Program Manager I positions. Because of the relationships, management has elected not to allow the related Program Manager I to fill in for either of his counterparts when they are on leave; they make alternative arrangements for supervision when that occurs. After reviewing the hiring materials, we concluded that the processes that occurred for the hiring of the related Program Manager I appeared appropriate. However, there was no documentation in the materials that the new Program Manager I was related to existing staff, and no documentation of plans to prevent conflicts of interest, which, again, is not required under existing County or Agency policy.

Some counties have nepotism policies. For example, San Bernardino County's Employment of Relatives policy specifically states: "...relatives (brother, sister, parent, child, spouse) should not work under the same immediate supervisor nor in such close work proximity that one relative checks or completes work or financial operations performed by another." Similar rules exist in Orange County.

We have three concerns about the existing Santa Clara practices associated with hiring and supervision of relatives. First, there should be a County-wide policy governing how potential conflicts of interest and internal control problems stemming from such relationships in the workplace will be managed. How these issues are addressed should not depend on the personal practices of a given manager, but should be specified in writing so that such relationships are properly and consistently handled County-wide.

Second, the absence of a policy creates a lack of transparency for staff, which may damage morale and promote questions of favoritism and amongst staff. A written policy would provide transparency to staff, and provide assurance that precautions against conflicts are specified and enforceable. Some staff in Social Services expressed concerns about various relationships amongst the staff, and concerns about conflicts appear to have an effect on the

morale of some staff. How such relationships are to be managed should be in writing and transparent to all personnel.

Third, having immediate relatives in the office limits the flexibility and options available to management and staff as the organization experiences retirements, resignations, leaves, promotions, changes to office space, and so forth. For example, as previously described, the Program Manager I should not assume management of his absent peers' staff because that would cause him to supervise one of his parents. Such matters should be discussed and documented prior to the hiring and placement of relatives in the same office, particularly if it may affect the chain of command, require reorganization, or limit management's ability to adjust to changing conditions. What limits, if any, are placed on such arrangements should be identified in County policy.

Training Programs and Compliance with Training Requirements

SSA's training needs are coordinated by the Staff Development and Training unit. During our field work we requested and received the unit's procedure manual dated June 20, 1989. Upon review, we determined that this manual was outdated and contained information and processes that were no longer relevant. Management indicated that there were no plans to update the policy manual. Further, management indicated that policy and process information was disseminated via email and at meetings. We were unable to find a place where all current policies were available for staff reference or review. Management confirmed that they currently did not place this information in a centralized location. Current policies and procedures should be kept in a centralized and accessible location. It is essential that all employees be able to access the most current information to perform their jobs based on the most recent requirements. We recommend that internal memos and emails that outline policies and procedures should be dated and placed on an internal shared drive or the SSA Training intra-net and made accessible to all Staff Development and Training staff members.

Staff Development and Training submit an Annual County Training Plan Certification on behalf of SSA to the State of California. This report provides staffing information, budget and training information for Department of Family and Children's Services (DFCS) child welfare workers and supervisors. In July 2008, the State of California started requiring that all child welfare workers and supervisors obtain 40 hours of continuing education every 24 months.² SSA must report the status of social worker continuing education hours to the state on an annual basis. The 2011 report indicated that 41 SSA employees including three supervisors were out of compliance. According to All County Information Notice I-29-09, the State can withhold all or part of state and federal funds for failure to comply with this mandated continuing education requirement.³

² State of California Department of Social Services Manual of Policies and Procedures Staff Development Chapter 14-611.5

³ This possible repercussion is outlined in Chapter 25-240 in the State of California Department of Social Services Manual of Policies and Procedures, Fiscal Management and Control.

The report requires that the County submit a plan to bring child welfare workers and supervisors into compliance with continuing education requirements. Staff Development and Training submitted a plan to bring the three supervisors into compliance but did not address the remaining 38 child welfare workers. When questioned why a compliance plan was not submitted for these staff, management stated that they believed it was Staff Development's responsibility to provide enough training classes for employees to gain the requisite number of hours but that it was DFCS's responsibility to ensure their staff met the requirements. Staff Development management also stated that, "the State regulations are not explicit about meeting the criteria;" and that, "as of this date, the State has not requested a compliance plan." Since failure to comply could result in a partial or total loss of state and federal funding it is imperative that the County seek clarification on the State's policy and work to be in full compliance immediately.

We recommend that Staff Development and Training management work with County Counsel to seek clarification from the State on the requirements and exceptions under the state mandate requiring the continuing education for child welfare workers and supervisors.

Further, we recommend that Staff Development Training DFCS Support group work with DFCS managers and supervisors who oversee the 41 employees who are not in compliance to develop a plan to ensure compliance with state mandated continuing education requirements.

Lastly, in our discussions with management and staff there was a desire and some efforts to implement for e-learning. E-learning would allow some training classes to be viewed online at a time convenient for the employee. We recommend that Staff Development explore further e-learning possibilities including training for staff on creating e-learning courses.

Survey of Other County Social Services Agencies

To gain an understanding of distinctions and similarities between the Social Services Agency of the County of Santa Clara County and other county social service organizations in other large counties, we developed a survey and solicited responses from agencies in the State's largest counties, including the County of Santa Clara. When appropriate, information from the surveys has been included in various sections of this report. It should be noted that the survey responses contain self-reported information. The Management Audit Division did not verify the accuracy of the reported information. A summary of survey responses from each county agency is included as Attachment I.3. Copies of the full response from each jurisdiction are available upon request.

Recommendation Priorities

The priority rankings shown for each recommendation in the audit report are consistent with the audit recommendation priority structure adopted by the Finance and Government Operations Committee of the Board of Supervisors, as follows:

Priority 1: Recommendations that address issues of non-compliance with federal, State and local laws, regulations, ordinances and the County Charter; would result in increases or decreases in expenditures or revenues of \$250,000 or more; or, suggest significant changes in federal, State or local policy through amendments to existing laws, regulations and policies.

Priority 2: Recommendations that would result in increases or decreases in expenditures or revenues of less than \$250,000; advocate changes in local policy through amendments to existing County ordinances and policies and procedures; or, would revise existing departmental or program policies and procedures for improved service delivery, increased operational efficiency, or greater program effectiveness.

Priority 3: Recommendations that address program-related policies and procedures that would not have a significant impact on revenues and expenditures, but would result in modest improvements in service delivery and operating efficiency.

Acknowledgements

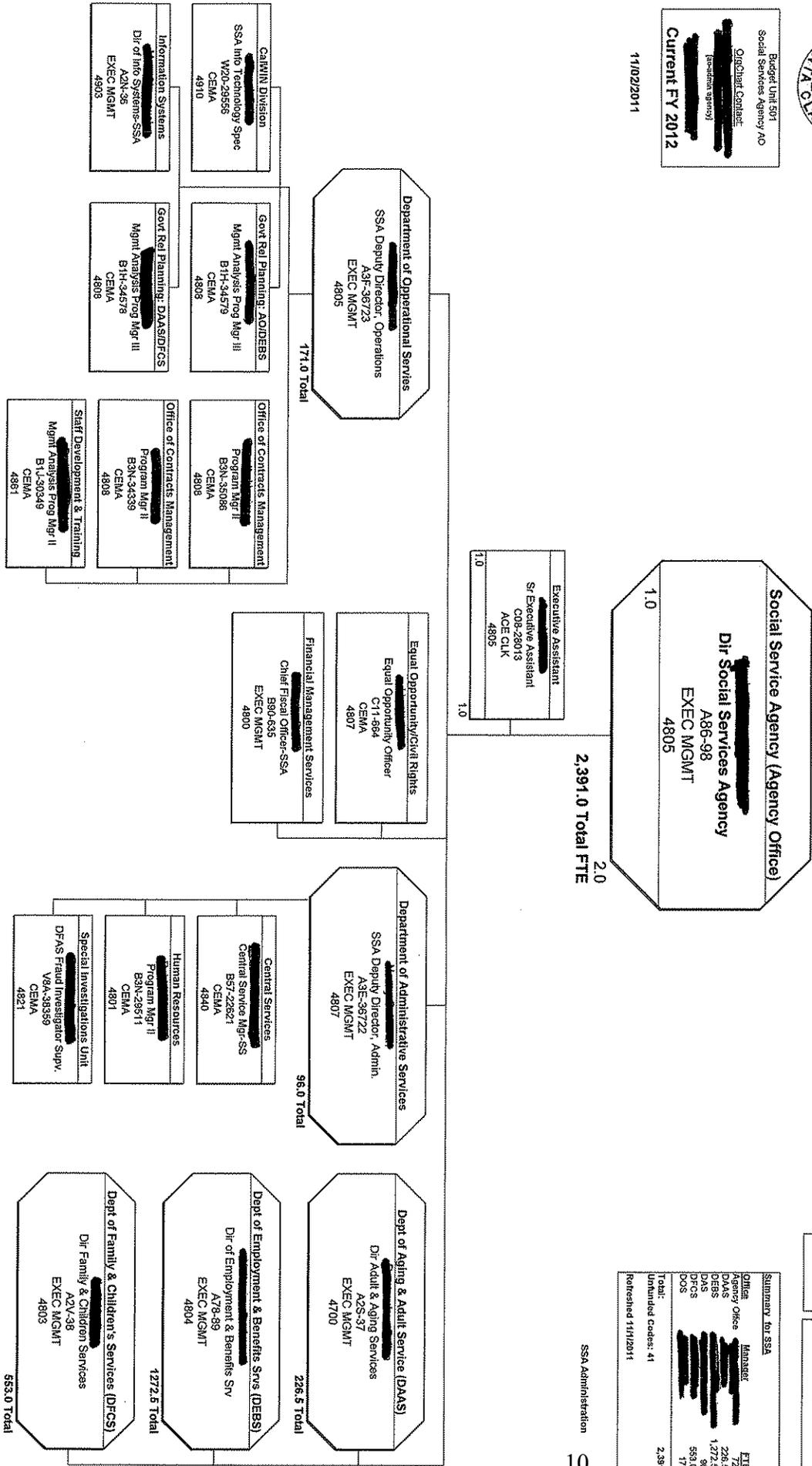
We would like to thank the management and staff of the Social Services Agency for their cooperation and assistance throughout the audit. Managers, supervisors and line staff provided much of the data contained in the report to audit staff, and certain recommendations are the result of interviews with managers, supervisors and other staff during the course of the audit. In addition, we would like to thank the management of the County-wide Facilities and Fleet Department for their assistance as well.



Social Services Agency (SSA) Administration

333 W. Julian Street, San Jose, CA 95110

Budget Unit 501
 Social Services Agency /AO
 Geographical Contact:
 [Redacted]
 [Redacted]
 [Redacted]
 Current FY 2012
 11/02/2011



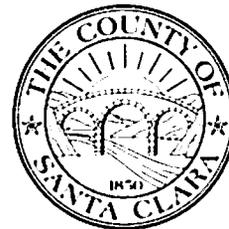
Agency Director	Filter	Yrs	Total
ACE CLK=	1	1	1
EXEC MGMT=	1	1	2
Totals	2	2	3

Office	Manager	FTE
Gen Svcs	[Redacted]	2
Dept of Aging & Adult Svcs	[Redacted]	226.5
DEBS	[Redacted]	1,272.5
DFAS	[Redacted]	96
DFCS	[Redacted]	553.0
DOSS	[Redacted]	171
Total:		2,391
Unfilled codes: 41		
Refreshed 11/11/2011		

SSA Administration

County of Santa Clara

Social Services Agency

333 West Julian Street
San Jose, California 95110-2335

February 20, 2012

Cheryl Solov
 Contract Principal Management Auditor
 Santa Clara County Board of Supervisors
 County Government Center, East Wing, 10th Floor
 70 West Hedding Street
 San Jose, CA 95110

Dear Ms. Soloff:

The following list of Social Services Agency's Agency Office accomplishments is being provided as you requested, by departments participating in the current Harvey Rose Accountancy Corporation audit of Social Services Agency's (SSA) Administrative Services areas:

Office of the Director

- Added Mandatory Reasonable Accommodation training for managers, supervisors, and leads through our EO office, along with Sexual Harassment Prevention Training.

Department of Administrative Services**Central Services**

- Oversaw planning and move of approximately 800 SSA employees to consolidated space at Senter Rd
- Tracked and reduced cell phone costs
- Reduced office supply costs
- Implemented new countywide Field Purchase Order and Direct pay codes in Purchasing

Human Resources

- Managed layoffs in February 2011 and June 2011
- Took on Workers Comp administration responsibility
- Implemented new SEIU and CEMA contractual obligations regarding furloughs
- Rolled out ePay to replace paper pay advice with online access
- Participated in countywide Merit Systems Audit

Special Investigative Unit

- Transitioned the Special Investigative Unit (SIU) for Welfare Fraud from the District Attorney to SSA
- Developed job specifications for Welfare Fraud Investigator and Supervising Welfare Fraud Investigator
- Hired four permanent staff in July 2011
- Recruited and made job offers to six sworn peace officer investigators in November 2011
- identified database to use for case management and reporting, and worked with DA regarding transition of historical data from DA database

Board of Supervisors: Mike Wasserman, George Shirakawa, Dave Cortese, Ken Yeager, Liz Kniss
 County Executive: Jeffrey V. Smith

Department of Operational Services

CalWIN Division:

- Designed and Implemented fully interfaced “Benefits CalWIN” Online Web Application System in 3 languages
- Designed and Implemented “Access CalWIN” Interactive Voice Response solution in 6 languages
- Developed LIHP (Low Income Health Program) module in Benefits CalWIN for Health Partners to utilize county SAWS (CalWIN) system
- Gave policy and documentation support to the process redesign of DEBS Operations business model for Central Client Service (CCS)
- Completed successful User Acceptance Testing, and Implementation of 4 major CalWIN software releases
- Completed successful redesign and implementation of enhanced CalWIN security and caseload for Central Client Service (CCS)

Government Relations and Planning:

- Coordinated application for 3 federal competitive grants to benefit children and families in the child welfare system. The Superior Court was awarded \$1.275m in SAMHSA/BJA funds for treatment and justice interventions for families with history of drug use.
- Coordinated the largest source of rental assistance for county residents. Administered \$692,238 in 2011, and providing assistance over 700 households.
- Provided program staff support and Clerking duties to the Senior Care Commission and Social Services Advisory Commission, insuring the commissions smooth operations while meeting Brown Act and public information requests
- Ensured Agency is prepared to manage the Mass Care and Shelter function required by the Public Welfare Branch in County Emergency Operations Center and the Agency’s own Department Operations Center during any disaster.
- Represented DAAS in the Senior Nutrition Task Force, which received the Pride of San Jose Award for Collaboration.
- Provided State and Local level project management for the DFCS California Partners for Permanency grant, including, but not limited to staff, community and stakeholder engagement, intervention design, training and implementation planning, and budget and contract management.

Information Services:

- Provided leadership in the implementation of the DEBS Operations business model for Central Client Service (CCS)
- Designed, developed and implemented Enterprise Task Management Tool as most integral system for DEBS business process redesign; work included an additional six technologies for launch of new business model.
- Designed, developed and implemented CISCO Voice over Internet (VOIP) technology and upgraded all network appliances; included work on state of the art Automated Call Distribution (ACD) a corner stone for call center operations in DEBS (AAC, CBS, BSC, GA); DEFCS (CANC); and DAAS (IHSS).
- Developed and implemented DFCS, DEBS and Financial Management Service (FMS) data warehouse, Business Intelligence and Analytics for case referral/management and forecasting, trending, along with demographics related analytics for key performance indicator monitoring, state and federal reporting, and better decision and service delivery.
- Developed and implemented through partnership with the FMS Time Study system to automate input and delivery of State and Federal reporting requirements.
- Partnered with the County ISD and Health and Hospitals by providing technical and support solutions such as service desk for ISD, LMS and implementing and supporting the health and hospital call center.

Staff Development:

- Provided Induction Training for approximately 175 new or transitioning eligibility, social work, employment services, clerical and management staff.
- Training approximately 600 intake and continuing DEBS eligibility, clerical, supervisory and management staff on the new CCS business model.
- Assisted ESA with the design, development and deployment of the county wide learning management system (sccLearn) to minimize impact on SSA staff
- Delivered Systems Change Cultural Dialogues trainings for all child welfare staff and community partners to improve communication around issues of disparity
- Conducted user acceptance testing and providing customized training on over thirteen (13) new applications/systems to Agency staff
- Provided training to over eight (8) community partner agencies (e.g. Council on Aging, DeAnza College OTI, Evergreen College, 4 Cs Council, AACI, Public Defender, Planned Parenthood, etc) on agency services, systems and processes and topics such as CalWIN, MediCal, CWES regulations, etc.

We look forward to discussing this list with your team during our exit conference and as we work with you to finalize the Audit Report.

Please let me know if you have any questions.

Sincerely,



Luke Leung,
Interim Agency Director

Social Services Agency Survey Highlights

County	Size of Agency based on Full-Time Equivalent Staff	Social Services Debt Payment Methods, other than cash, checks and money orders	Are there staff specifically assigned to review and "clean up" Social Services Debts prior to collections?	Structure of G.A. Program for "Employable" Persons	Approximate Outstanding Balance of G.A. Debt as of June 30, 2011	Approximate Typical Duration of Social Services Agency Contracts in Years	Total Amount of Agency-wide Warehouse Space in Square Feet	Average Square Feet of Warehouse Space per FTE
Contra Costa	1,688	Credit card by phone or mail	Yes	Time-limited grant	\$ 308,990	1 to 2	35,000	21
Presno	2,171	Debit and credit cards online.	Yes	Time-limited grant	\$ 716,419	3 to 4	2,000	1
Orange	3,567	None	Yes	Time-limited loan	\$ 9,000,000	3 to 4	96,000	27
Riverside	3,252	None	N/A	No time limits; only certain debts are collectible	\$ 33,807	1	29,850	9
San Bernardi	7,180	Online payments are pending	Yes	Unlimited loan	\$ 11,800,000	3 to 4	93,000	13
Alameda	2,200	None	Yes	Time-limited loan	\$ 66,000,000	3 to 4	38,580	18
Santa Clara	2,631	None	No	Unlimited loan	\$ 59,300,000	1	113,500	43
Average	3,241				\$ 21,022,745	2.5	58,276	19

(1) According to Alameda County, it will cease to use any warehouse space after 2013.

Part I:
Opportunities to Reduce Operating Costs

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Section 1. Leasing of Facilities and Warehouse/Facility Security

- **The Social Services Agency’s Central Services office manages in excess of 113,500 feet of leased warehouse space, plus several office buildings, and the purchase and storage of the agency’s supplies and equipment. There is an excessive amount of warehouse space, which amounts to about 43 square feet for each budgeted employee in the Agency, a rate far higher than that of other counties surveyed. The Agency plans to reduce the warehouse space by some 70,000 square feet by mid-2014, with most of this reduction occurring by late 2013. This excess space was driven in part by the continuing practices of storing equipment rather than deploying or disposing of it, as well as a lack of adequate record-keeping and control over warehouse inventory. In addition, the County recently entered into a lease for SSA office space that will cost almost twice the building purchase, improvements and 11 years of maintenance costs are worth. Furthermore, associated capital improvements were not properly planned, budgeted for or monitored by the Agency. Finally, security at some facilities is lax, and there are no written policies related to warehouse operations.**
- **As a result, there have been thefts from SSA facilities, including thefts that occurred during the course of this audit. The lack of planning and oversight of at least one capital project resulted in at least \$2 million in cost overruns, and the County relinquished control over the costs to third parties, without having prepared cost estimates to ensure the Agency has a control over potential excesses. In addition, lack of real-time, perpetual information regarding warehouse inventory means that any individual who wishes to make use of stored items must physically search warehouses to determine whether needed items are there. Employees may be buying new items that are similar to items the agency already has in storage. Furthermore, the inefficient use of warehouse space and long-term storage of goods and old records increases the agency’s lease expenses, and raises questions about whether some items should have been purchased in the first place. The longer items are in storage increases the chance of theft, damage, obsolescence, and/or loss of warranty coverage. Lastly, the County recently entered into a lease for an SSA facility for which it will pay \$35.9 million over 11 years for use of a building that the landlord purchased, renovated and will maintain for an estimated \$18.9 million. The General Fund share of the County’s loss on this transaction is estimated at \$6.8million.**
- **We recommend that the Board approve significant changes to SSA’s facility management operations, including shifting responsibility for planning and managing major projects to the County’s Facilities and Fleet Department. In addition, the Board should require that requests for Board approval to lease facilities include information regarding the present value of the leased property relative to the total expense of the lease.**

Excessive Warehouse Space

The Social Services Agency (SSA) leases approximately 113,500 square feet of storage space, not including a small receiving area and a supply room on the Julian Street campus. This equates to about 43 square feet of storage space, or a 7 foot by 6 foot room, for each employee of the agency. We conducted a survey for this audit, and of the six other large counties that responded to a question about warehouse space, all reported less warehouse capacity, including agencies that are larger than the County of Santa Clara. The average number of square feet of warehouse space per full-time equivalent (FTE) employee for all seven agencies, including Santa Clara, is 19. Of the six other agencies, the average is 15 square feet per FTE, almost one-third that of Santa Clara. The survey results are shown in Table 1.1 below.

Table 1.1

**Total Leased and Owned Warehouse Space
by the Social Services Agency**

County	Size of Agency based on Full-Time Equivalent Staff	Total Amount of Agency- wide Warehouse Space in Square Feet	Average Square Feet of Warehouse Space per FTE
Fresno	2,171	2,000	1
Riverside	3,252	29,850	9
San Bernardino	7,180	93,000	13
Alameda ¹	2,200	38,580	18
Contra Costa	1,688	35,000	21
Orange	3,567	96,000	27
Santa Clara	2,631	113,500	43
Average	3,241	58,276	19

1) According to Alameda County, it will cease to use any warehouse space after 2013.

In general, the agency stores three categories of items in this space: records, supplies, and equipment. The size, purpose and cost of the agency’s warehouses is listed in Table 1.2 on the following page. It should be noted that this table includes only the warehouse portion of the space in these buildings; in some cases, there is additional space in the same facility. As described above and elsewhere in this section, the Agency is taking steps to sharply reduce the amount of warehouse space.

Table 1.2

**Social Services Warehouses
Size, Purpose and Cost**

Location (All in San Jose)	Approximate Square Feet	Purpose	Lease Expires	Approximate Monthly Rent	Cost per Square Foot
1984 Senter Rd	57,783	Records and supplies	8/1/2013	\$55,280	\$0.96
1877 Senter Rd	10,000	Furniture and computer equipment	5/31/2014	\$10,500	\$1.05
1867 Senter Rd	25,710	Records	12/31/2022	\$35,113	\$1.37
1236/1238 N. 5th St.	20,000	Public Guardian conserved property, forms, and equipment	12/31/2012	\$19,843	\$0.99
Total	113,493			\$120,736	\$1.06
Note: Excludes a small warehouse receiving area at the Julian Street campus, and a supply room on that campus.					

Warehouse Uses

Records

The majority of warehouse space is taken up by boxes of records. For example, the agency permanently stores records of adoptions. During this audit, there was an ongoing effort to convert a significant portion of the agency’s paper records to electronic records, thereby reducing the amount of warehouse space the agency must lease. The agency has requested extra help staff to speed up case review and destruction. We recommend that all paper records that can legally be converted to electronic format be scanned and stored electronically. The agency plans to eliminate storage of records and supplies at 1984 Senter Road by the end of the lease in 2013, reducing warehouse space by almost 58,000 square feet. Supplies in this facility can be stored in excess space at Julian Street, which, at the time Auditors toured that facility, was taken up with a large number of trash cans awaiting disposal.

Supplies

The agency buys around \$50,000 a month worth of supplies, with about 80 percent of funds spent for paper and printer ink. The monthly expense equates to about \$19 a month per employee. Some supplies are held in a small warehouse at 373 West Julian Street, and others are stored at 1867 Senter Road. There is no inventory of these supplies. The lack of supply inventory increases the chance of loss, theft, and over-ordering of replacement items. The

agency should develop a regular process and policies to inventory supplies on a regular basis, to ensure the security and efficient use of approximately \$600,000 worth of assets per year.

Also, as previously stated, supplies at 1867 Senter Road should be either distributed to supply areas within SSA’s office spaces, or stored in the Julian Street facility, in the space that during this audit was being used to store a large number of trash cans awaiting disposal.

Equipment/Furnishings

One driver of excess storage space is the practice of retaining equipment in warehouses. Auditors obtained data regarding warehoused items from SSA management. The warranties have expired on the majority of stored equipment. Auditors were unable to determine to what extent items were stored in inventory without ever having been deployed, versus items that were deployed but returned to inventory after having been used for some period of time. When auditors toured the warehouses, items appeared to fall into both categories; we noted a number of old items, such as several dozen aged microwave ovens, as well as items still in the original boxes. This latter group included computer keyboards and computer mice that were purchased for laptops that were stolen out of the warehouse about three years earlier. Management has indicated that they prefer to retain such items in case they are needed to prevent having to acquire new items. According to data provided by Central Services, the warranties had expired on most of the items in storage as of late 2011. The volume and age of most of the electronic items in storage are shown in Table 1.3 below. As shown, for every five agency employees, the agency was storing a computer monitor that on average is four years old. For every eight employees, there was one computer in storage.

Table 1.3

Volume and Age of Key Electronics in Storage as of Late 2011

	For Each.....		
	4.8 employees	8 employees	64 employees
SSA is Storing...	1 Monitor	1 PC	1 Printer
Which is on average ...	4 years old	3 years, 9 months old	9 years old

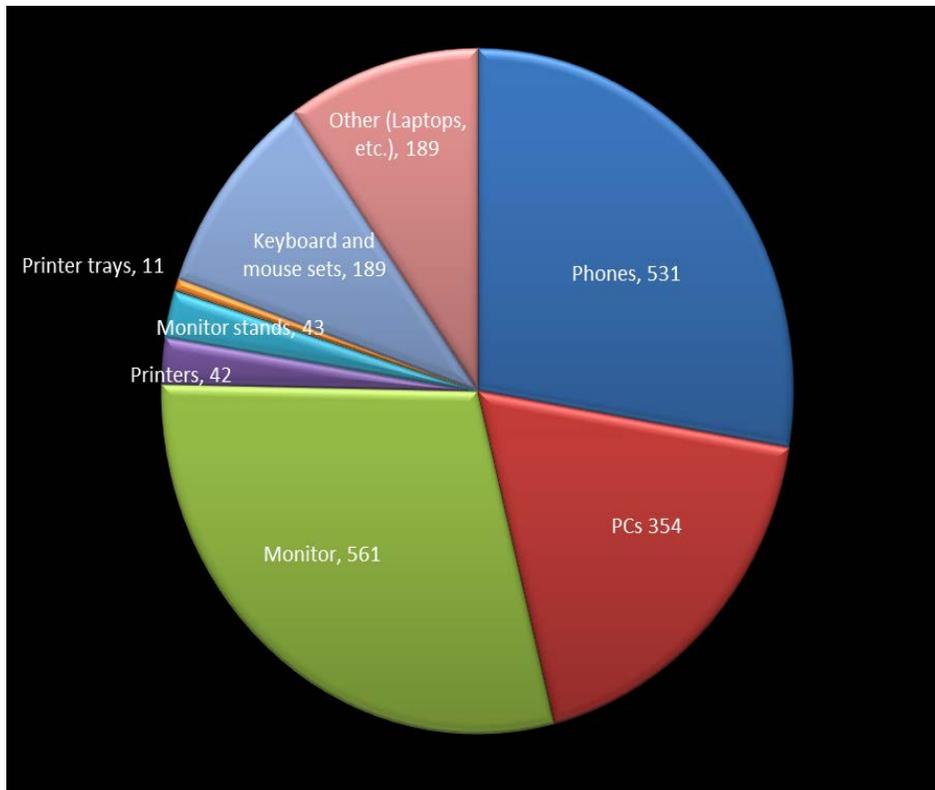
Source: Social Services Agency Central Services Data

Again, agency records do not reflect to what extent items may have been in service prior to having been warehoused, or whether some stored items have ever been deployed. Additional technical equipment in inventory includes computer keyboards, computer mice, printer stands and other similar items.

The fact that so many items, many of which were aging, were sitting unused in storage suggests that the agency buys items that it does not immediately need and stores them “just in case,” and that it stores items that should either be disposed of or re-allocated to other uses. Table 1.4 below shows the count of items, by type, that were listed as stored as of late 2011, according to agency data. It should be noted that about 14 percent of these items were stored temporarily pending the move of some staff from one building to another. The remaining 86 percent of items were in storage for undetermined reasons. As the chart shows, the largest volume of items in storage were 561 monitors, followed by 531 telephones, 354 PCs, 189 keyboard and mouse sets, 43 monitor stands, 42 printers, and some other items.

Table 1.4

Distribution of SSA’s 1,920 Stored Electronics As of Late 2011



Source: SSA Data

In addition, we saw a large amount of furnishings, such as cubical walls, desks, and chairs in storage. There is no real-time inventory of these items. According to management, this means that someone must *physically search* the various facilities to determine if a particular cubical wall or desk component or any other item is “in stock” or whether it must be purchased. In addition to the extreme inefficiency of this process, it increases the likelihood that someone will order items that in fact are already owned by the County, either because of lack of time to search facilities, or because an item is overlooked. Furthermore, the lack of

record keeping increases the risk of theft since it would be difficult to detect absent items. In fact, according to management, when laptop computers were stolen from an SSA warehouse about three years ago, the theft was not detected for months. The agency should develop, maintain and distribute an inventory of stored items, and develop a policy requiring upkeep of inventory records. The agency should implement a policy requiring use of stored items first, prior to ordering anything new. Lastly, items that have been sitting in storage for years and are unlikely to be used should be disposed of promptly through the proper disposal procedures established by County Procurement. Clearing out old items would reduce the need for warehouse space, improve the accessibility of useful items and reduce the amount of items that need to be inventoried.

Lax Security at Some Facilities

Within the last few years, there have been at least three thefts that have occurred on SSA properties. These include theft of numerous computers from a warehouse in May 2009. According to Social Services, this event prompted installation of a new burglar alarm, a new surveillance system, and a new card access system.

Subsequently, copper piping was taken from a facility roof. According to Social Services, this property was replaced by that facility's landlord at no expense to the County, and a security camera was installed.

Next, during the course of this audit, at least 8,000 to 10,000 linear feet of copper data cabling was "surgically" cut in selected sections from the ceiling of an SSA facility and stolen. The materials and labor to repair that damage is estimated at more than \$40,000. That theft was reported on December 29, 2011. It is unknown when the cable was stolen, because the building was being vacated over a few months. This theft occurred in an office building into which staff were being moved. During the course of that move, many contractors were working in the building, and doors were left unlocked and even "propped open" to facilitate movement of personnel working in the building. In January, 2012, department personnel reported that additional cable of an unspecified quantity was also stolen. This is believed to have occurred at the same time as the originally reported theft.

In addition, management stated that "extra help" (temporary) staff are not allowed to be in SSA warehouses unless escorted by a County employee. However, while auditors were touring one warehouse, an unescorted extra help employee was present in the facility. Social Services management subsequently reported that that particular employee was authorized to work there independently, and had been background checked.

We could recommend a lot of new cameras and alarms, but such systems are expensive, and it appears that the underlying security problems relate more to practices that might not be addressed by such systems. Specifically, it appears that contractors and extra help staff, whose backgrounds are unknown to the County, have been allowed unsupervised access to County assets and facilities. During the Sheriff's investigation of the cable theft, an

investigator simply walked into the facility through an unlocked door in February. The Agency should implement a policy prohibiting such access. Contractors and extra help personnel should be directly supervised by County staff. The Agency should consider reducing to one the number of unalarmed doors through which personnel may travel in the normal course of business, and the installation of a camera on that door.

Deficiencies in Facility Planning and Construction

Excessive Lease Costs

In early 2011, County staff approached a commercial landlord from whom the County was already leasing three other buildings about purchasing a new building, at 1867 Senter Road in San Jose, for use by the Social Services Agency. This location was desirable due to its proximity to other SSA facilities. The Facilities and Fleet Department negotiated a lease with the landlord, contingent on his purchase of the 127,710 square-foot property. The lender required the landlord to have a lease term of more than the standard five-year term in County policy, and the lease was drawn up for 11 years.

On February 8, 2011 the County entered into a 137-month lease for the property, commencing August 1, 2011. The lease obligated the County to pay \$33.9 million in lease payments. According to the County Assessor's transfer records, the landlord purchased the building on June 30, 2011 for \$10.9 million. However, the landlord agreed to provide \$3.1 million worth of improvements for the County's use, and to provide a \$572,313 generator. Due to poor planning, as described in more detail later in this section, the County incurred additional expenses, so far amounting to \$2 million. Additional expenses not originally planned for were pending at the time this report was developed. Table 1.5 on the following page compares the County's costs and the landlord's costs over 11 years.

Table 1.5

**Estimated Landlord vs. County Costs
for 1867 Senter Road Over 11 Years**

	Landlord's Cost	County's Cost	Difference
Purchase	\$ 10,900,000	\$ 0	\$ 10,900,000
Improvements and Misc.	\$ 3,192,750	\$ 2,000,000 ¹	\$ 1,192,750
Generator	\$ 572,313	\$ 0	\$ 572,313
Lease Payments	\$ 0	\$ 33,896,609 ²	\$ (33,896,609)
Estimated Maintenance	\$ 4,214,430	\$ 0	\$ 4,214,430
Total	\$ 18,879,493	\$ 35,896,609	\$ (17,017,116) ³

- 1) This is the known cost for County improvements and associated expenses. At the time of the audit, it appeared additional costs may be incurred.
- 2) The lease payments include maintenance, taxes and janitorial services. The estimated cost of maintenance, based on \$3 per square foot per year for 11 years is shown separately as a landlord expense. *Estimated expenses of janitorial services for the landlord are undetermined and therefore omitted from the landlord's estimated costs. These expenses are likely significant.* It should be noted that the landlord will pay about \$1.8 million in property taxes over the 11-year period. However, this is not included in the table since if the County had purchased the property, no taxes would be due.
- 3) An estimated 40 percent of this loss, or \$6.8 million, is a General Fund cost.

We do not have an estimate for what the County's janitorial expense would be. Janitorial services are included in the lease payment. Table 1.5 omits this expense for the landlord. This omission accounts for a portion of the \$17 million difference. However, unless the County's cost for janitorial services exceeded \$1.5 million per year, it would have been less expensive for the County to have purchased the building. Even if the County's costs were equal to the landlord's costs over the lease term, at least at the end of the term, the County would have owned the building, and would be free from further rental payments. If the County had purchased the building, the County either could have continued to use the facility without having to pay rent or charges to cover the landlord's taxes, or could have sold it, presumably for at least \$11 million.

As the table shows, it would have cost the County approximately \$17 million less if the County had bought the building. Of this, an estimated 40 percent, or \$6.8 million, will be paid for by the General Fund. According to Facilities and Fleet (FAF) staff, there was never any consideration given to the County purchasing the building itself, and FAF was unaware of the cost of the building until raised by this audit. In any case, the lease was agreed to prior to the 2011 sale of the building. According to FAF, the lease that was entered into is on par

with similar commercial lease rates per square foot. Based on rates provided by FAF, similar facilities were available for lease at rates from \$1.63 per square foot to \$2.23 per square foot. The total cost of this lease was estimated by auditors at \$2.03 per square foot, inclusive of the cost overrun, which will be described in more detail later in this section. Although the per-square-foot rate might not be excessive on a short-term basis, due to the length of the lease, the total payments will significantly exceed the value of the building and its improvements. In the end, despite essentially having “bought” the building twice, the County will not own it. This lease was approved by the Board of Supervisors without knowledge of the total dollar amount of the lease, and without knowledge of the value of the building. The Board should establish a policy requiring both pieces of information when presented with a request for approval for any future lease in excess of \$500,000 or five years.

Poor Planning and Cost Overruns for Project Improvements

The original plan for the 1867 Senter Road facility was for all of the improvements to the structure to be paid for entirely by the landlord. The landlord agreed to pay \$3.1 million for these improvements. These improvements included such changes as new interior walls, accessibility upgrades, new restrooms, and mechanical and plumbing improvements, among others. However, according to SSA Central Services management, after the project was underway, staff determined that there were additional needs at the site that were not previously discussed or planned for. These included about \$300,000 for an uninterrupted power source, as well as about \$250,000 worth of “hard wall” (rather than cubical) offices, and, most importantly, a 1,700 square foot server room. Construction of that facility, plus moving costs and expenses not previously anticipated to bring the building up to code, added more than \$1 million to the tab. Social Services management presently asserts that moving expenses amounting to approximately \$462,000 were in fact budgeted; we do not believe these expenses were in fact budgeted and therefore, have included that cost as an unanticipated overrun. Therefore, known total unanticipated expense equals about \$2 million. Much of the server room expense was driven by the need to lay new cable in the building. None of these expenses were budgeted; the agency cut a variety of expenses to round up the cash to complete the work. It is likely that if the project had been planned and managed by Facilities and Fleet, all of the specifications would have been determined and planned for in advance. The Board of Supervisors should adopt a policy requiring that County construction projects in excess of \$1,000,000 be planned and managed by a Project Manager from Facilities and Fleet, rather than by either department staff, or by private firms. According to FAF, this service costs departments approximately \$165 per hour.

Lack of Control Over Construction Costs and Services

In regards to the 1867 Senter Road project previously described, the landlord had hired a project management firm. That firm in turn hired contractors to carry out the improvements for the County’s benefit pursuant to the lease. Although the County was effectively paying for these \$3.1 million worth of improvements as part of the lease expense, the County had no control over the work or its cost. However, once the additional improvements described in

the above subsection were identified, the County paid these costs up front. Even with the direct payment for these services, the County still did not take control of the project or its expenses. Specifications were not prepared by County Construction Project Managers, and bids were not obtained by County Procurement. Instead, these processes were managed by the private project manager hired by the landlord. This led to a situation in which the landlord's electrical contractor, who was already working in the building on the originally agreed to improvements, met with County employees and designed the specifications for the additional work. This contractor then obtained the contract, via the landlord's project management firm, to do the additional work. The landlord's project manager did obtain three bids for this work, and the selected contractor was the lowest bidder by a small amount. Had the County itself contracted directly with the vendor, issuing a contract to a vendor for work that that contractor prepared specifications for likely would have violated federal contracting regulations. Although the events that occurred do not appear to have violated County policy or any other regulation, it is still of concern that at least \$4.7 million worth of work was carried out at County expense without bids going through County Procurement, and without the project having been planned and specifications written by the County's Facilities and Fleet Project Management staff.

The Board of Supervisors should adopt a policy that when County funds are used to pay for tenant improvements, project specifications should be written by Project Management personnel in the County Facilities and Fleet Department, all bids should be conducted by County Procurement in accordance with applicable procurement laws and policies, and the projects should be managed by County Project Management in accordance with capital project laws, policies and procedures.

CONCLUSION

The Social Services Agency's Central Services office manages an excessive amount of warehouse space, which increases County costs. This excess is driven in part by the practice of storing equipment rather than deploying or disposing of it, as well as a lack of adequate record-keeping and control over warehouse inventory. In addition, the County recently entered into a lease for SSA office space that will cost almost two times more than the building is worth, and associated capital improvements were not properly planned, budgeted for or monitored by the Agency. Finally, security at some facilities is lax, and there are no policies related to warehouse operations. As a result, there have been thefts from SSA facilities, including one theft that occurred during the course of this audit. The lack of planning and oversight of at least one capital project resulted in at least \$2 million in cost overruns, and the County relinquished control over the costs to third parties. In addition, lack of information regarding warehouse inventory means that any individual who wishes to make use of stored items must physically search warehouses to determine whether needed items are there. The longer items are in storage increases the chance of theft, damage, obsolescence, and/or loss of warranty coverage. Auditors recommend that the Board approve significant changes to SSA's facility management operations, including shifting responsibility for planning and managing major projects to the County's Facilities and Fleet

Department. In addition, the Board should require that requests for Board approval to lease facilities include information regarding the present value of the leased property relative to the total expense of the lease. Social Services should develop a plan to sharply reduce warehouse space by reducing paper records, and either disposing of or deploying most warehoused items. Facility security and inventory records should be improved, and policies should be developed.

RECOMMENDATIONS

The Board of Supervisors should:

- 1.1 Consider adoption of a policy specifying that when County funds are used to pay for tenant improvements project specifications should be written by Project Management personnel in the County Facilities and Fleet Department, all bids should be conducted by County Procurement in accordance with applicable procurement laws and policies, and the projects should be managed by County Project Management in accordance with capital project laws, policies and procedures. (Priority 1)
- 1.2 Consider adoption of –a policy that requires presentation to the Board of Supervisors of lease vs. purchase analyses when there is a potential lease or purchase choice where the value of the transaction exceeds \$500,000 or extends beyond five years. (Priority 1)
- 1.3 Consider adoption of a policy requiring that County construction projects in excess of \$1,000,000 be planned and managed by a Project Manager from Facilities and Fleet, rather than by either department staff or personnel from private firms. (Priority 1)

The Social Services Agency’s Central Services Unit should:

- 1.4 Develop a regular process and policies to inventory supplies on a regular basis, to ensure the security and efficient use of approximately \$600,000 worth of assets per year. (Priority 2)
- 1.5 Develop, maintain and distribute an inventory of stored furnishing and equipment, and develop a policy requiring upkeep of inventory records. The agency should implement a policy requiring use of stored items first, prior to ordering anything new. If there are items in storage that are not usable, they should be disposed of. (Priority 2)
- 1.6 Promptly dispose of items that have been sitting in storage for years and are unlikely to be used through the proper disposal procedures established by County Procurement. Clearing out old items would reduce the need for warehouse space, improve the accessibility of useful items and reduce the amount of items that need to be tracked, inventoried and secured. (Priority 2)

- 1.7 Implement, as a means of reducing thefts, a policy prohibiting unsupervised access to County facilities and assets by contractors and extra help personnel. These personnel should be directly supervised by County staff. The agency should also consider reducing to one the number of unalarmed doors through which personnel may travel in a given facility in the normal course of business, and the installation of a camera on that door. (Priority 1)

SAVINGS, BENEFITS AND COSTS

Implementation of Recommendations 1.1 through 1.3 would greatly improve controls and likely reduce expenses associated with building leases and improvements. Had recommendation 1.2 been in place in 2011, it might have saved the County General Fund an estimated \$6.8 million over 11 years. Implementation of Recommendation 1.4 would improve security over approximately \$600,000 worth of assets annually. Implementation of recommendations 1.5 would create an inventory of supplies, furnishing and equipment that could be used to ensure that purchases of like items are unnecessary, and improve control over these assets and the accessibility of the assets. Implementation of recommendation 1.6 would end the practice of large amount of items sitting around in warehouses for months or years. This would reduce the need for warehouse space and thus rental expenses, reduce the potential for theft, loss, or damage to these items. Additionally, it would ensure that items are put into use prior to their warranties expiring, and prior to their becoming obsolete. Implementation of recommendation 1.6 would also reduce the need to rent storage, and make the warehouses cleaner, more useful, and inventory easier to track. Implementation of recommendation 1.7 should reduce thefts from SSA facilities.

Section 2. Central County Printing Services vs. Duplicative SSA Publishing Services

- The Social Services Agency (SSA) operates a Publishing Services function with two staff and four printer/copiers. The staff spend about 94.5 percent of their time on printing-related duties, and the remainder on internal-communication-related functions, such as issuing numbers for memos issued by SSA management, or distributing State notices internally to relevant SSA staff.
- Although SSA also buys printing services from the Printing Services Internal Services Fund, its use of that fund has declined in recent years, even though Management Audit Division analysis found that per page printing costs for standard black-and-white printing were less in the ISF, 2.5 cents per copy, than for SSA Publishing Services, 5.6 cents, even though the SSA cost does not include overhead costs included in the Printing Services ISF rates.
- SSA's underutilization of the Printing Services ISF (spending only 55.6 percent of the budgeted amount in Fiscal Year 2010-11) results in SSA paying more than necessary. Furthermore, this underutilization prevents the County from paying for a portion of the Printing Services ISF costs through State and federal reimbursement for SSA programs that use printing services.
- The Social Services Agency should terminate its Publishing Services function and use the Printing Services ISF, with the ISF assessing the need to provide a part-time quick-copy function, similar to that provided at the County Hall of Administration and Valley Medical Center. Internal-communications functions carried out by Publishing Services should be reassigned to other SSA administrative staff. This change would permit elimination of two Office Specialist III positions, saving salary and benefit costs of \$156,837 annually, offset by hiring a Bindery Worker II for the ISF, at a cost of \$72,653, for net savings of \$84,184, and also permit reducing a 0.5 FTE position in the Face-to-Face Waiver Unit, saving \$35,318. Of the total estimated \$119,502 in savings, \$17,925 would come from County discretionary sources, while the remainder would be reduced State and federal reimbursement, offset by reimbursement received for the proposed Bindery Worker II position. Additional savings from using less-expensive equipment and lower paper costs available to the ISF may also occur. This analysis revealed the need to develop standardized Countywide printing policies, which should be developed by the Center for Leadership and Training, working collaboratively with major departmental printing users, and the County Printing Supervisor, and also should include an examination of the County's printing-related job classifications, as described in this section.

Publishing Services at Social Services

The Social Services Agency operates a Publishing Services function at 1867 Senter Road. According to the Administrative Support Officer II in Centralized Support Services that oversees this function SSA has had an in-house printing function for many years, and provided a history of it dating back to July 2003. Currently Publishing Services is staffed with two full-time Office Specialist III positions.

Publishing Services has four printer/copiers, two black-and-white Ricoh Pro1106ex machines, one with an attachment to do saddle-stitching, the other with an attachment to do ring-binding, a Ricoh Pro C900s color copier, and a smaller Ricoh MP C6000 color copier. The C900s, according to staff, is faster, and is used for larger jobs. All four copiers are leased under the master agreement negotiated by the Procurement Department with Ricoh. The Pro C900s machine was acquired in March 2010, while the others were acquired in October 2008. Publishing Services reports that the two of the three machines acquired in October 2008 were replacements for prior equipment, and coincided with the Countywide switch of printer/copier equipment to Ricoh, under a Countywide contract negotiated by the Procurement Department that included an assessment by the vendor of Countywide usage. According to information provided by Publishing Services, based on counters for each machine, the two black-and-white machines run an average of about 303,000 copies monthly, while the smaller color machine runs about 20,300 per month, and the larger color machine 93,300 per month.

Based on information provided by SSA financial staff, lease cost for the equipment in Fiscal Year 2010-11 was \$118,373, while the cost of the two positions, including salary and benefits, was \$156,837, for a combined cost of \$275,210, which excludes costs for paper and other supplies required by Publishing Services.

According to the Administrative Services Officer II who oversees Publishing Services, the two staff assigned to this function spend about 94.5 percent of their time actually running printing jobs on the various pieces of equipment, and doing other printing-related work. Staff from elsewhere in SSA request printing services using one of two required forms that indicate how many copies are needed, what paper should be used, the kind of binding needed, and other key information. Usually these requests are sent electronically to Publishing Services, which completes the jobs and either has the requestor pick them up, or, more often, has them delivered by the Centralized Support Services internal mail/courier staff.

The other Publishing Services staff's duties could be termed internal communication functions. One such function is assigning memorandum numbers for memos being issued by Social Services Agency management. According to the Publishing Services Policies and Procedures, when a "policy-type memo" is being issued by management of the Department of Family and Children's Services, or the Department of Employment and Benefit Services, Publishing Services staff consults logs showing the number of the last memo issued by the

Section 2. Central County Printing Services vs. Duplicative SSA Publishing Services

relevant department, then issues the subsequent number for the new memo. The memo issuer then sends a designated SSA form, along with a copy of the new memo, to Publishing Services, which reproduces and distributes the memo to relevant staff, and files a copy of the memo in the latest of a series of binders maintained for this purpose. Publishing Services consequently serves as an information archive, assuring that there is a current and complete record of all such memos issued.

Similarly, Publishing Services is also responsible for distribution “State mail,” which are letters and notices on various topics issued by the California Department of Social Services or the California Department of Health Care Services, the primary State agencies that oversee SSA’s functions. Depending on the type of notice that is received, Publishing Services staff sends electronic copies of the notice, or more commonly, an Internet link to the State site where the notice is available, to lists of SSA staff that have been identified by managers as needing to see the notices. Publishing Services carries out this function even though the notices at issue are posted on State website accessible to the public, and therefore to any SSA staff member who needs to see them. According to the ASO II overseeing Publishing Services, these non-printing functions have been assigned to the unit for years, and said the former Social Services Agency Director specifically wanted a system in place to notify relevant staff when State notices related to their work were issued, and assigned Publishing Services that function. Similar to its role regarding policy memos, Publishing Services also maintains archives of the State notices that have been received, and can retrieve them if someone in SSA staff needs a previous notice for reference, and can’t otherwise find it.

In addition to the Publishing Services staff, the Publishing Services equipment is also used by the Face-to-Face Waiver Unit, which uses them to reproduce packets of documents that are sent to CalFresh (food stamp), transitional CalFresh and CalWORKS clients that are being allowed to renew their benefits without receiving a new face-to-face interview with an eligibility worker. The packets, which SSA staff estimated are 20 to 25 pages long, have documents that the client must fill out, and a personalized cover letter on top that includes client-identifying information. These packets typically have to be printed with no more than a three-day turnaround, due to State regulations, according to SSA staff. SSA staff also reported that proposed changes in State regulations would increase the number of such packets printed monthly from an average of about 3,000 per month currently, to 8,000 per month. The Face-to-Face Waiver Unit uses the Publishing Services equipment to do this work because of software and a computer workstation, tied to the printer/copiers, that allows the packets to be printed with subset stapling, where different portions of each packet are stapled together. Using the printer/copier to do this is much more efficient than having staff put packets together manually. The Face-to-Face Waiver Unit consists of 1.5 FTE positions, and was estimated by the ASO II overseeing it and the Publishing Services Unit to spend about 25 percent of staff time running the waiver packets.

Printing Services ISF, A Cheaper Option

While SSA Publishing Services operates what seems, from a laymen's point of view, to be a high-volume printing unit of hundreds of thousands of copies per month, the County already has an entity whose job is to provide high-volume printing. The Printing Services Internal Services Fund has an approved Fiscal Year 2011-12 expenditure budget of \$2,024,561, and an 11-person staff. As an internal services fund, Printing Services charges other County departments for its services on a per-job basis, based on rates calculated each year that take into account its costs for equipment, staff, supplies, overhead, etc.

During this audit, the Printing Supervisor, who oversees the Printing Services ISF, contacted Management Audit staff regarding the Social Services Agency's decline in recent years in use of his services. He noted that this decline makes it more difficult for the ISF to recover its costs, especially since printing work for the Social Services Agency ends up being substantially recovered through State and federal reimbursements SSA receives for its client-services programs. SSA's Chief Financial Officer reported that about 85 percent of the costs for the two staff in its in-house Publishing Services function are recovered, while about 60 percent of costs for that unit's equipment and supplies end up being reimbursed.

We confirmed the decline in SSA's use of the Printing Services ISF by comparing budgeted to actual expenditures in the County's SAP accounting system, as shown in the following table.

Table 2.1

Budgeted Versus Actual Social Services Agency Expenditures For Internal Printing, Fiscal Year 2006-07 through 2010-11

<u>Fiscal Year</u>	<u>Budgeted</u>	<u>Actual</u>
2004-05	\$512,316	491,318
2005-06	516,394	285,632
2006-07	358,912	\$343,351
2007-08	358,912	370,796
2008-09	358,912	251,106
2009-10	358,912	179,538
2010-11	265,000	147,314

As the table shows, in FY 2006-07 and FY 2007-08, SSA expenditures with the Printing Services ISF, which are shown under the internal printing line-item in the accounting system, were close to the budgeted amount, while expenditures have dipped significantly in the past three fiscal years. As noted earlier in this section, SSA's departmental Publishing Services function acquired one new printer/copier and replaced two others in October 2008, and the recent decline in use of the ISF appears to coincide with that action.

Section 2. Central County Printing Services vs. Duplicative SSA Publishing Services

During the exit conference for this audit, SSA staff provided additional information in Table 2.1, covering fiscal years 2004-05 and 2005-06, and stated that business model changes within SSA reduced reliance on the Printing Services ISF, including implementation of the CalWIN system in June 2005, which permitted client correspondence forms to be printed from CalWIN through batch processing or immediately at SSA offices, and a switch by the Department of Employment and Benefit Services in 2009 to an online forms library.

However, there were also direct instructions to SSA staff to keep printing work in-house, rather than sending it to the Printing Services ISF, based on a memo issued to all SSA staff in April 2010 by the then-Agency Director. That memo stated:

“In an effort to be conscious of our budget while providing optimal service, I am asking your cooperation to keep our printing in-house at SSA. Please do not submit work directly to the County-wide Printing Services at Berger Drive.”

The memo also stated that all printing requests had to be sent through the SSA Publishing Services function, which would then decide whether to print the job at its facility, or send it on to the Printing Services ISF. The Administrative Services Officer II overseeing Publishing Services stated that jobs are only sent to the Countywide printing department if the job requires processes that Publishing Services’ equipment does not provide, or if Publishing Services has a backlog of jobs that prevent from completing the printing request in a timely manner.

Beyond the concern about maintaining his own budget, the Printing Supervisor for the ISF stated he believed SSA’s policy of retaining printing work in house was resulting in excessive costs, because the ISF’s printing charges per copy are less than what it costs SSA Publishing Services to do the same work. For FY 2011-12, the Printing Services ISF has a formal interagency agreement with SSA to provide up to \$160,000 of printing services. For basic black image copies, the ISF will charge 2.5 cents per copy. For digital color copies, the charge is 35 cents per copy. Costs for covers, higher-quality paper and other non-standard supplies are charged at cost plus 10 percent, while design services are charged by the hour. These are the ISF’s standard rates, developed using a detailed cost model that takes into account its costs for staff, equipment, maintenance, supplies and overhead. Management Audit staff reviewed the cost model, and believes it accurately accounts for all of the ISF’s costs. We note that in FY 2012-13, the ISF’s costs for black image copies are expected to rise to 3.3 cents per copy, while color copies will fall to 33 cents per copy, based on the most recent version of the ISF rate model.

Comparably detailed cost information is not available for the SSA Publishing Services function, since it does not directly charge SSA users for its services. The ASO II overseeing the function reports that if an SSA user has a reimbursement source, such as a grant, that specifically permits reimbursement for printing costs, Publishing Services will estimate the cost of a particular job for the customer, using the estimated countywide cost per copy,

Section 2. Central County Printing Services vs. Duplicative SSA Publishing Services

\$0.01898 per copy, included in the Countywide Ricoh contract, and including the staff costs based on the staff salaries, and the estimated time a requested job will take.

To more accurately calculate Publishing Services costs per copy, we obtained actual invoice information for the cost of its equipment from SSA financial staff, and also calculated the cost per copy of the staff assigned to Publishing Services. That analysis is shown in Tables 2.2 and 2.3 on the following page.

Table 2.2

**SSA Publishing Services
Direct Staff Costs Per Copy**

<u>Staff Cost</u>	<u>Staff 1</u>	<u>Staff 2</u>	<u>Combined Cost</u>
OS III Annual Salary	\$42,883	\$47,093	\$89,976
Benefits*	<u>32,767</u>	<u>34,094</u>	<u>66,861</u>
Salary & Benefits	\$75,640	\$81,187	\$156,837
Assume 94.5% of Time**	\$71,490	\$76,721	148,211
Annual Copies			4,247,852***
Subtotal-Staff Cost/Copy			\$0.0348

*Includes health insurance, retiree health insurance, unemployment, Social Security, Medicare, PERS employee & employer, and workers' compensation insurance costs.

**As noted earlier in this section, Publishing Services staff were estimated to spend about 75 percent of their time actually running printing jobs, and 25 percent on other duties

***Publishing Services does not track actual printing production on a periodic basis. However, based on running counters for each of its pieces of equipment, an average monthly production figure was calculated for each copier/printer, which was then multiplied by 12 to obtain a yearly copy total. From that total, we also removed the estimated number of copies printed by the Face-to-Face Waiver Unit, which is a separate staff. From Fiscal Year 2009-10 through Fiscal Year 2011-12 as estimated by SSA staff, this work accounted for 751,900 copies annually.

Table 2.3

**Estimated Cost Per Page for SSA Publishing Services
Based on FY 2010-11 Equipment Costs, Staff Costs and Paper Costs
By Type of Equipment & Printing**

	<u>Pro 1106ex Black & White</u>	<u>MP C6000 Color</u>	<u>MP C6000 Black & White</u>	<u>Pro C900s Color</u>	<u>Pro C900s Black & White</u>
Equipment Charge	\$48,604	\$9,594	\$912	\$29,893	\$30,282
Copies/Year*	3,635,760	193,046	50,813	351,482	768,648
Cost/Copy	\$0.0134	\$0.0497	\$0.0180	0.0851	.0394
Paper Cost**	0.0074	0.0074	0.0074	0.0074	0.0074
Subtotal-Paper/Eqt.	0.0208	0.0571	0.0254	0.0925	0.0468
Staff Cost	<u>0.0349</u>	<u>0.0349</u>	<u>0.0349</u>	<u>0.0349</u>	<u>0.0349</u>
Total Cost/Copy	\$0.0557	\$0.0920	\$0.0603	\$0.1273	0.0817
Printing Services ISF Cost	<u>\$0.0250</u>	<u>\$0.3500</u>	<u>\$0.0250</u>	<u>0.3500</u>	<u>0.0250</u>
Difference	\$0.0307	(\$0.2580)	\$0.0353	(\$0.2227)	0.0567

*Publishing Services does not track actual printing production on a periodic basis. However, based on running counters for each of its pieces of equipment, an average monthly production figure was calculated for each copier/printer, which was then multiplied by 12 to obtain a yearly copy total.

**Based on paper cost of \$36.76 per 5,000 sheet case reported by Publishing Services (\$36.76/5000=\$0.007352).

Section 2. Central County Printing Services vs. Duplicative SSA Publishing Services

As the tables show, black and white costs in the Printing Services ISF are substantially lower than the cost using the equipment in the SSA Publishing Services function, by about three cents per page for SSA's two large black-and-white machines, by more than 3.5 cents versus a smaller machine that prints both color and black-and-white, and by about 5.7 cents versus the large color printer when used for black-and-white copies. However, color copying costs in SSA Publishing Services are substantially less than those in the ISF, by about 22 to 27 cents per copy. Approximately 89 percent of Publishing Services work is black and white printing and copying. It should be noted that this analysis actually understates the savings, since the calculation for SSA Publishing Services includes only the direct staff and equipment cost for the function, without any allocation of overhead costs. Such costs would include a share of the salary for the Administrative Services Officer II that oversees Publishing Services and other SSA units, a share of costs for the Agency Director, a share of costs for the Agency fiscal staff, etc. By contrast, the rate calculation for the Printing Services ISF includes a share of its administrative staff, administrative staff in the Information Services Department in which the ISF is located, and a share of Countywide overhead costs allocated to ISD.

Based on this analysis, we recommend that the Social Services Agency terminate its existing Publishing Services function, and instead resume receiving its high-volume printing services from the Printing Services ISF. However, because color printing is cheaper on the SSA's equipment than it would be if obtained from the ISF, and to ensure the availability of sufficient services to meet SSA's needs, we recommend that the Printing Services ISF consider establishing a quick-copy function for SSA, operating out of the same space now used by Publishing Services. Similar satellite operations, available four hours per day, are already provided by the Printing Services ISF in the County Hall of Administration on Hedding Street, and at a facility on the Valley Medical Center campus. Quick copy services is generally designed for smaller jobs that need to be printed quickly, but don't need to use the Printing Services ISF's highest volume equipment, located in its Berger Drive facility. Staff are available during the hours the quick copy center is open to run and consult with customers on printing requests. Also, the ISF has the capability to run printing jobs at the quick copy facilities remotely from its Berger Drive headquarters when necessary by the volume of work or deadlines. Whether to establish such an operation at SSA would be determined by a review of printing workload and workflow coming out of SSA, that would be conducted by the Printing Services ISF working together with SSA staff.

The non-printing related duties currently assigned to the Publishing Services function should be reassigned to other Social Services Agency staff. Tracking the issuance of "policy memos" should be the responsibility of the Social Services Agency Director, and the directors of the Department of Aging and Adult Services, the Department of Family and Children Services, and the Department of Employment and Benefit Services who are responsible for issuing such memos. Similarly, staff in those individual departments should be responsible for making sure that State letters and notices are reviewed by staff who need to know the information, and question whether the need for archiving such information is

Section 2. Central County Printing Services vs. Duplicative SSA Publishing Services

necessary, given that it is provided on public websites maintained by the State agencies that oversee County social services functions.

Switching SSA's high-volume printing from an in-house function to use of the Printing Services ISF would permit the two existing Office Specialist III positions to be eliminated, for an annual salary and benefit savings of \$156,837, or switched to other SSA duties. However, we expect the Printing Services ISF will have to hire an additional staff person, to staff the part-time quick copy function. During the exit conference for this audit, the Printing Supervisor in charge of the Printing Services ISF reported needing an additional Bindery Worker II position to provide this function, explaining that this is the classification already used for part-time staffing of the quick copy function at the Hall of Administration and Valley Medical Center. The need for classifications changes generally regarding county printing functions is further discussed later in this section. The cost of such a position, at Step III salary with benefits, would be \$72,653 annually. Offset against the two OS III positions, this leaves a net savings of \$84,184 annually. The Printing Supervisor has indicated that additional savings may be possible, observing, for example, that the printer/copiers being used by SSA Publishing Services appear to be more powerful than needed for the volume of work it is performing. To the extent that equipment more suitable to the quick copy workload were leased, at a lower lease cost, additional savings from the \$119,285 cost paid by SSA for equipment in FY 2010-11 may occur. The transition of the printing function to control by the Printing Services ISF should occur via an expansion of the current agreement between the ISF and SSA for printing services, addressing such things as printing turnaround times, the format in which print jobs are going to be provided by SSA customers (electronic versus hard copy), whether the current practice of delivering completed printing jobs from SSA Publishing Services via the internal SSA mail delivery services will continue, and other implementation details. Completion of this agreement and its implementation should be reported back to the Finance and Government Operations Committee as part of the six- 12- and 18-month standard implementation reports required by the Committee's audit management procedures.

Furthermore, during the exit conference for this audit, SSA management reported that there is no legal requirement that the existing Face-to-Face Waiver Unit staff be the ones that actually carry out the printing of the packets that are sent to clients, as long as the confidentiality of the client information is maintained. Assuming this work could also be done by Printing Services ISF staff, and based on the estimate by SSA that the existing Face-to-Face Waiver Unit staff spends 35 to 40 percent of its time on packet production, it should be possible to rearrange duties sufficient to reduce this unit from 1.5 FTEs to 1 FTE. A 0.5 FTE reduction, at the Step 3 salary and benefits level for the Office Specialist II staff that comprise the unit, would provide an additional annual savings of \$35,318.

It should be noted that these positions, as is generally the case for Social Services Agency staff, have a significant portion of their costs reimbursed to the County from State and federal funding. The Social Services Agency's Chief Financial Officer estimated that about 85 percent of the Publishing Services function staff is reimbursed to the County. Based on that estimate, our proposed savings of \$119,502 includes \$101,577 in taxpayer savings from

State and federal reimbursement, and \$17,925 in funding from County discretionary sources. It should also be noted that most of the cost of the \$72,653 Bindery Worker II position recommended to provide quick copy services should also be reimbursable.

Countywide Printing Policies Are Needed

Beyond the SSA-specific issues addressed in this section, Management Audit staff's review of printing services revealed a significant shortfall of policies addressing Countywide copying and printing services, given the vast amounts the County is spending on such services. The Countywide Ricoh contract, for example, commits the County to usage of at least 75 million copies annually, which equates to 287,356 copies per day for each of the 261 working days in a fiscal year, or about 19 copies per workday for each of the County's 14,917 authorized positions. Monthly invoices reviewed for this section showed that in SSA alone, there were 85 black and white and four color copiers in various locations.

During this audit, the Printing Supervisor for the Printing Services ISF noted that he was never consulted in SSA's acquisition via lease under the Countywide Ricoh contract of high-volume equipment. SSA's two high-volume black-and-white printers are generating an average of 142,380 and 160,600 copies per month, respectively, while its large color copier generates 93,344 copies per month. Procedure 410.7 of the County of Santa Clara Policy and Procedure Manual, a set of policies established by the County Executive's Office in the early 1990s that we believe are still supposed to be in effect, states that "GSA Printing Services will act as a consultant to GSA Purchasing when expected copier volume exceeds 30,000 copies per month." While the Ricoh contract includes equipment specifications that describe the estimated annual copying volume that is appropriate for the various printer/copiers available under the contract, to our knowledge there is no policy to assist departments in picking equipment that best meets their needs, or prohibits them from buying more elaborate equipment than needed. Similar to previous audits we have conducted regarding Countywide vehicle use and Countywide cell phone use, policies are needed to make sure departments get the equipment that meets their needs, but not more robust equipment than necessary, in order to most efficiently use County financial resources.

Countywide policies are also needed to address the central question of this section, namely: When is it appropriate for a department to do a printing job in-house, because it is small, because there is a very short lead time, or for other appropriate reasons, and when should the job be sent to a centralized Countywide print shop, which should be cheaper because of economies of scale? The aforementioned Countywide policy and procedures manual states, as Policy 420 that "all printed forms and related materials are obtained through GSA Printing Services," and that each department should designate a Forms and Printing Administrator to analyze department forms needs, approve and order forms and maintain forms usage and historical ordering information. It's not clear whether this policy is being followed, but it is clear that an update is needed. For example, the policy defines quick copy requests as printing that does not exceed a total count of 3,000 copies total, or 500 copies of a single original. The policy also only addresses Printing Services requirements for offset printing,

which is now infrequently used, and provides lead times that far exceed what Printing Services can meet using its current digital printer/copiers.

Because printing and copying is an issue that affects all County departments, and reflects the need to balance the ability of departments to decide how to carry out their work with the potential efficiencies of centralizing this support service, we recommend that development of a new printing policy be proposed as a project for the Center for Leadership and Transformation. This joint project of the Board of Supervisors and the County Executive's Office is designed, according to its website "to encourage adaptability at every level of the organization, from executive management to each individual employee, cultivate cross-boundary thinking and collaboration, establish a commitment to innovation and develop metrics for measuring the progress and success of transformation efforts." CLT has carried out a similar project, an Information Technology Rapid Transformation project, which found in a 2010 analysis that departments were making IT-related decisions in isolation, leading to fragmentation, redundancies and unnecessary costs. In our view, the printing issue is similar, requiring development for a standard list of printing equipment options for departments to pick from, guidelines as to how to choose, and direction as to when it is appropriate to hand off responsibility for printing work to the centralized Countywide function. We believe a working group within CLT, consisting of major users of copiers and printers, and of Printing Services ISF users, along with the Printing Supervisor, should start the analysis leading to new policies, probably beginning with an inventory of Countywide printing and copying equipment and usage, in particular comparing the actual use of equipment within departments to its rated capacity, to look for areas where equipment can be downsized or eliminated to achieve savings.

The creation of a new Countywide printing policy also should include, by CLT working in concert with the Employee Services Agency, an examination of job classifications related to printing. Right now the Printing Services ISF staff includes classifications, Bindery Worker I/II and Offset Press Operator I/II/III, whose job descriptions emphasize work with mechanical binding equipment and offset printing presses, even though the majority of the ISF's work now reflects use of high-volume electronic printers and copiers. As noted earlier in this section, the Printing Services ISF Printing Supervisor is using a Bindery Worker II position to staff an existing quick copy function, and is proposing to create an additional position for the expansion of quick copy services to SSA, even though the job seemingly has little to do with binding work. The proposed salary for the position may be appropriate, relative to the duties, but the job description is not.

The examination of printing-related job classifications also should include potentially creating a job classification for staff whose primary duty is carrying out printing/copying functions within departments to the extent those departments need some function that falls between what an office-type copier provides, and what the Printing Services ISF provides. While the Office Specialist III classification assigned to the SSA Publishing Services function includes "copying and assembling materials" among its typical tasks, that is only a minor part of the job description, which doesn't appear to be geared to a job where the overwhelming majority of the time is spent running printer/copier equipment. The job

classification for a Print-On-Demand Operator, one of the classifications used in the Printing Services ISF, refers to a lower Reprographic Technician classification, and we received the description for such a classification from the Printing Supervisor, and have included it as an attachment to this section. However, neither the FY 2011-12 Salary Ordinance, nor the on-line list of job classifications maintained by the Employee Services Agency, nor the current labor agreement with Services Employees International Union Local 521, include this classification, although the Printing Supervisor reports that he had an employee in such a classification a number of years ago.

One goal in creating such a lower-level classification would be to try and distinguish printing functions that occur primarily in a clerical-office setting, and would be carried out by a classification that is included in the Local 521 Clerical Unit, from more technically complex work that is carried out in the Printing Services ISF, whose printing staff is part of the union's Blue Collar Unit. Such demarcations can help avoid any collective bargaining-related conflicts within the labor organization, and between that organization and the County.

CONCLUSION

The Social Services Agency (SSA) operates a Publishing Services function with two staff and four pieces of equipment, and has shifted most of its printing work from the Countywide Printing Services Internal Services Fund to the departmental unit, even though the Printing Services ISF has rates for black-and-white printing, which represents 89 percent of the SSA Publishing Services workload, that are 3 to 5.7 cents less than the costs incurred by Publishing Services. As a result, SSA printing costs are higher than necessary, and the Printing Services ISF has lost a source of revenue to offset its costs, which in this case would substantially come from State and federal reimbursement of costs incurred by SSA.

RECOMMENDATIONS

The Social Services Agency should:

- 2.1 Terminate its in-house Publishing Services function, transferring its duties in assigning numbers for policy memos and tracking State letters and notices to other SSA staff, and resume having the Printing Services Internal Service Fund perform its printing work, for a savings of \$156,837 annually by eliminating two positions assigned to this function, and savings of \$35,318 by eliminating a 0.5 FTE Office Specialist II position in the Face-to-Face Waiver Unit, which spends 35 to 40 percent of its time printing waiver packets, .

The Printing Services Internal Service Fund should:

- 2.2 Consider initiating a quick-copy function, similar to that now provided at the County Hall of Administration and Valley Medical Center, for the Social Services Agency, located in the space that now houses the in-house SSA Publishing Services function. The decision to establish this function would be based on an assessment by the ISF of

printing workload and workflow coming from SSA. If established, this function would be staffed by a new Bindery Worker II position, at an annual salary and benefits cost of \$72,653.

The County Executive should:

- 2.3 Assign to the Center for Leadership and Transformation (CLT) development of a new Countywide printing policy, addressing the process by which departments obtain printing equipment that is appropriate to their needs, and the determination for when printing work should be produced within departments, versus being ordered through the Countywide Printing Services ISF. The CLT project should begin with a Countywide inventory of printer/copiers, paying particular attention to equipment that is over- or under-utilized, relative to its operating capacity. It should also include, in concert with the Employee Services Agency, a review of the County's job classifications associated with printing functions.

SAVINGS, BENEFITS AND COSTS

Eliminating the in-house SSA Publishing Services function would permit eliminating two Office Specialist III positions, for an annual salary and benefits savings of \$156,837, and permit eliminating a 0.5 FTE Office Specialist II position in the Face-to-Face Waiver Unit, saving \$35,318 annually. Additional savings may occur if, for example, the Printing Services ISF determines it can provide a quick-copy function for SSA using less-expensive equipment than what Publishing Services currently uses. This savings would be offset by an annual cost of \$72,653 for a Bindery Worker II position to staff the new quick-copy function, for a net savings of \$84,184 annually. Our estimated savings of \$119,502 annually includes savings of \$17,925 from County discretionary sources, and the remainder from reduced State and federal reimbursement. The Bindery Worker II position, to the extent that it primarily services SSA, would also be substantially cost-reimbursed from State and federal sources. Development of a Countywide printing policy may provide additional savings, by determining that there is underutilized printing equipment in departments that is not needed, or can be replaced by less-expensive equipment that is more appropriate to the printing needs, and by directing more printing work to the Printing Services ISF, which is able to provide services at lower cost through economies of scale.

Santa Clara County
Class Code F83

Reprographic Technician

Definition

Under supervision, to set up and operate high volume photocopy machines in the performance of routine and specialized reproduction requests.

Distinguishing Characteristics

Assignments are typically reproductions of photo ready originals such as forms, letters, reports, pamphlets, and charts

Typical Tasks

- Operates computerized high volume photocopy machines;
- Operates optical scanners;
- Reproduces forms, letters, reports and other publications;
- Makes minor adjustments to machines;
- Maintains records;
- Keeps track of inventory of paper and supplies;
- Staples, pads, and wraps finished copies;
- Performs related duties as required.

Employment Standards

Knowledge and abilities are typically obtained by a minimum of 1 year experience operating a high volume copier or a combination of experience and training equivalent to 1 year experience.

Knowledge of: The operation of computerized high volume copiers. Basic computer operation. Methods of record keeping.

Ability to: Operate computerized high volume copiers; make minor adjustment to copiers; to establish priorities; maintain simple records; learn the operation of binding equipment; lift and carry heavy packages; work independently; and maintain good customer relations.

Part II:
Opportunities to Improve Financial Management Practices

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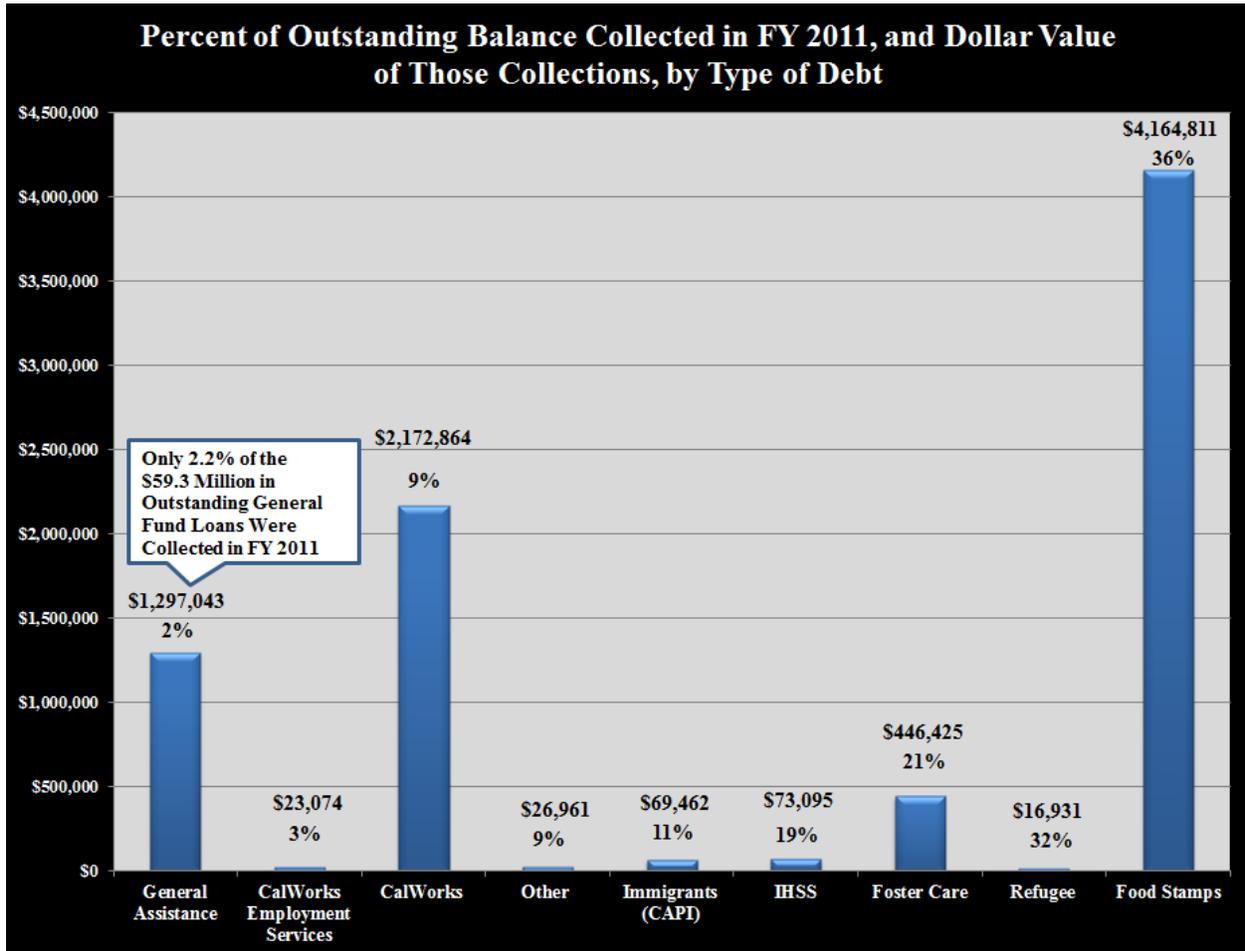
Section 3. Improving SSA Collection Unit Practices

- **The Social Services Agency operates a unit to collect debts that arise either from the inadvertent payment of Social Services benefits in excess of the amount the recipient was in fact eligible for, or from monthly loans made to indigent persons. As of June 30, 2011, the unit, with 15 full-time staff including the program manager, was working to collect an estimated \$98 million worth of outstanding debt; this balance increased by 18 percent over the last two fiscal years. In excess of 60 percent of this debt is owed to the General Fund, and 57 percent of it has been in collections for 5 or more years. In FY 2010-11, the unit collected a total of \$2.2 million in cash, plus another \$2.3 million was collected through indirect means, such as interception of tax refunds.**
- **Efficient collection of these debts is hampered by large caseloads, the unit’s inability to accept many common forms of payment, and its lack of a website. As of August, 2011, the unit’s nine collections officers had about 2,000 active cases apiece, cumulatively valued at \$24.8 million, equating to an average of \$2.8 million per officer in active collections. Debtors cannot pay by debit or credit cards, and cannot pay over the internet or telephone, and cannot access information about their debts or payment option on a website.**
- **By reducing caseloads and improving collections tools, the Department could improve its collections and generate additional revenue. The amount that could be generated by expanding payment methods, improving account prioritization, and reducing caseloads is undetermined but likely significant. Each one percent of active debt that is collected is worth almost \$250,000 in new revenue; therefore, even a small improvement in collections would be material.**

Collections by Type of Debt

Table 3.1 on the following page shows collections amounts, debt growth and the percent of outstanding debt by type as of the close of FY 2010-11. As shown in the table, the percentage of outstanding debt that is collected varies between a low of two percent for General Assistance debt, to a high of 36 percent for CalFresh, formerly known as “food stamps.”

Table 3.1



Source: Santa Clara County Social Services Agency

Factors Affecting Collections Rates

Large Caseloads Full of Old Accounts

The Social Services collections unit collects over-payments of social services aid programs, such as CalWorks, CalFresh (formerly known as “food stamps”), foster care payments, and other safety net payments. The unit also collects aid provided to “employable” clients who receive “general assistance” payments. These are payments to adults who do not qualify for other types of aid. Of the \$98.1 million that was in collections as of June 30, 2011, about 57 percent of it had been in collections for *more than five years*.

The collections team consists of 15 persons, including the program manager, nine collectors, and five clerical staff. The clerical staff are actively involved in collections support activities. Accounts are divided between “active” and “inactive” collections. As of August 2011, the outstanding debt was approximately \$90 million, of which almost \$25 million was in “active” collections, meaning that the staff is actively engaged in efforts to recoup the debts,

such as skip tracing, calling the debtor, etc. Approximately \$65 million of debts were in “inactive” collections, meaning that the debt is still outstanding, but the efforts to collect it are more passive, such as by trying to recoup the funds by intercepting any tax refunds that might be issued to the debtor. Each collector has an average of approximately 2,000 active cases, valued at an estimated \$24.8 million, or about \$2.8 million each. In the private sector, collectors would typically have far lower caseloads, particularly given the difficulty of collecting from these debtors, who have little to no income, and few to no assets. In addition, as described in more detail in Section 4 of this report, many of these debts are more than five years old. Part of the size of the caseload is due to the reduction of Collections Officers to make budget targets. However, since Collections Officers generate more revenue than their salaries and benefits cost, this strategy is short-sighted and not cost effective. Auditors recommend adding at least one new Revenue Collections Officer at a cost of approximately \$100,000 per year for salaries and benefits.

Lack of Common Payment Options for Debtors

Persons paying their Social Services debts must either mail a check, or bring a check or cash to the Julian Street office. The unit cannot take online payments, telephone payments, or payments by debit or credit card. Communication with debtors consists of telephone calls and mailed statements and bills. This unit, which presently is responsible for collection of almost \$100 million, does not have a website.

The County has an existing contract with a vendor to provide payment processing to all County departments that need it. This contractor provides services to the clients of the County’s Department of Revenue, which results in that Department being able to take payments online and by telephone with e-check, debit cards, and some credit cards. Auditors contacted the vendor, which indicated that establishment of collections options such as debit cards could be completed at no additional charge to the County. Debtors wishing to pay by credit card or debit card would have to pay a fee to the vendor, which covers both the merchant fee for the credit or debit card, and the vendor’s “convenience fee” for payment processing. Auditors recommend that the Social Services Agency establish web and telephone payment options through the County’s existing vendor, and provide debtors with the option to pay by credit card, debit card, or e-check. There would be nominal staff time required to provide the vendor with the account information to establish the service. Of the two counties that auditors identified as using these tools currently, Contra Costa County reported that half of its very small collections come from card-based payments. Staff there reported that adopting payments by card had reduced “bounced” checks. Fresno County reported that about six percent of its collections are made on cards. The effect on the total amount that would be collected by the County of Santa Clara cannot be estimated, but could be significant. During the course of this audit, the County of San Bernardino was in the process of establishing similar payment methods.

In addition, auditors recommend that the Agency ensure that there is a payment link on the Agency’s webpage, and that the County’s main webpage links to this page as well.

CONCLUSION

The Social Services collections unit has excessive caseloads, with many accounts having been in collections for more than five years. Standard methods of bill payment, such as by debit card, are not available to Social Services clients. Auditors recommend improving payment methods, hiring at least one additional Revenue Collections Officer, and establishing a webpage for the collections unit. These efforts would improve collections by an estimated \$300,000 per year.

RECOMMENDATIONS

The Social Services Agency should:

- 3.1 Reinstatement of at least one Revenue Collections Officer and assign that individual to exclusively collect General Fund debts. The net revenue from this recommendation is estimated to be \$300,000 annually. (Priority 1)
- 3.2 Use the County's existing remote payment vendor to establish at no additional cost to the County remote payment options, including online and telephone payment with credit cards, debit cards, and e-checks. (Priority 2)
- 3.3 Ensure that there is a payment link on the Agency's webpage, and that the County's main webpage links to this page as well. (Priority 3)

SAVINGS, BENEFITS AND COSTS

Hiring an additional collections officer at a cost of approximately \$100,000 including benefits would generate an estimated \$400,000 of new income annually. In addition, by improving payment methods, the County could increase collections. Each one percent of active debt that is collected is estimated to amount to \$250,000, so even a small improvement in collections would be material.

Section 4. Revising General Assistance Policies and Collection Procedures

- **California law requires counties to provide support to their indigent populations. Each County has its own “General Assistance” (G.A.) program for that purpose. G.A. in the County of Santa Clara is unusual in its combination of two factors: All payments to all recipients are considered loans (rather than grants), and, qualifying persons may receive these payments indefinitely. As a result of these and other factors, the estimated G.A. debt in collections as of June 30, 2011 was \$59.3 million. Both the annual G.A. benefit expenditures by the General Fund and the total outstanding debt are growing rapidly, particularly for persons considered “employable.” Last fiscal year, only about two percent of the outstanding G.A. debt, or \$1.3 million, was collected, a proportion that was much lower than the Social Services Agency’s collections of other debts. Further, only about \$250,000 of this was collected directly from “employable” recipients, and the cost of these collections may exceed that amount.**
- **Unlike other Social Services debts, G.A. debt amounts must be manually calculated by benefits staff to account for benefits received, benefits due and earned work credits that offset the amount owed. The debt recorded in the system frequently does not reconcile with the actual benefits issued to clients. Some counties have staff specifically assigned to review and verify Social Services debts prior to forwarding the amounts to collections staff; Santa Clara does not. As a result of the lack of verification, collections staff lack confidence in the accuracy of all debts, and especially manually figured G.A. debts. The persistent uncertainty about the amount of money that is actually owed by debtors increases the costs of collections, as collections cease while accounts are referred back to benefits staff to research questionable amounts, and as the County incurs costs in court proceedings regarding disputed debts, among other costs. In addition, collections, research, and dispute hearings for these debts divert staff from efforts to recoup other debts.**
- **By revising the County’s aid policies, and improving administrative processes for establishing, verifying, and collecting all social services debts, the County would improve the cost effectiveness of collections, reduce delays that generate unnecessary costs, and improve collection of reimbursements.. Implementation of these recommendations would save the General Fund more than \$1 million annually.**

The General Assistance Program

G.A. Programs Required by Law

Welfare and Institutions Code Section 17000 of California law states that every County “shall relieve and support all incompetent, poor, indigent persons, and those incapacitated by age, disease, or accident, lawfully resident therein, when such persons are not supported and relieved by their relatives or friends, by their own means, or by state hospitals or other state or private institutions.” In essence, counties are the final “safety net” for impoverished adults who do not qualify for other programs. Each County has its own “General Assistance” (G.A.) program¹ that it has designed according to its preferences and implemented with its General Fund monies to fulfill this legal requirement. Monthly payments to individuals through these programs are small amounts.

Employable vs. Non-Employable

Counties establish different requirements and benefits depending on whether the client is considered “employable” or not. This distinction is provided for by state law, as described in footnote 3. Clients who are not “employable” are often eligible for federal Supplemental Security Income (SSI) payments, and some portion of their G.A. payments may be reimbursed to the County from federal funds. However, payments made to persons who are considered capable of working are not eligible for federal reimbursement. The County considers all of the payments made to these individuals to be loans, and seeks repayment of these funds from the individual recipients once they leave aid. Therefore, this section of the report addresses only those aspects of the G.A. program that relate to clients who are considered employable.

In addition to lacking any material amount of income or assets, employable clients must meet many requirements to receive G.A. funds from the County of Santa Clara. These requirements include performing entry-level work for the County in exchange for minimum-wage credits against their G.A. debts, consistently looking for work and providing proof of these efforts, attending mandatory job-assistance workshops, and other requirements. Failure to meet any of the requirements without just cause results in loss of aid payments.²

Factors Resulting in a \$59.3 Million in Uncollected G.A. Debt

There are many factors contributing to the estimated \$59.3 million in uncollected G.A. debt. These include:

- A persistent, high rate of unemployment, which has dramatically increased the caseload, aid payments, and outstanding debt

¹ In some counties, these programs are called “general relief.”

² There is a hearing to weigh the facts and determine whether the client is eligible or not prior to benefit reduction.

- The absence of a write-off policy, resulting in a large amount of very old debt that is especially difficult to collect
- The fact that 100 percent of payments are loans, and thus the majority of client aid payments eventually go to collections, to be collected from clients whose assets to repay the money are limited
- Persistent questions about the accuracy of the balance due in the collections system, and the lack of a review of debts prior to commencement of collections efforts, result in collection delays that increase the uncollected debt

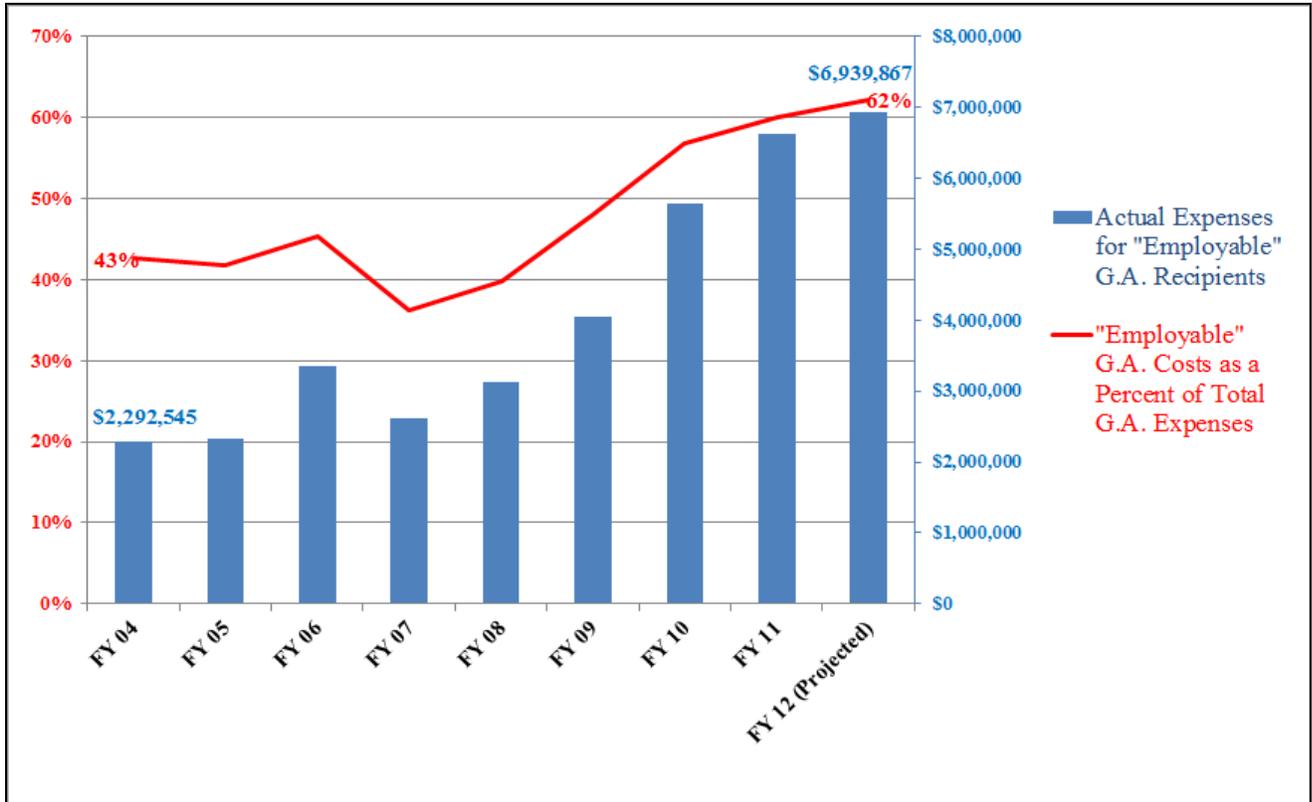
Each of these factors is discussed in detail below.

Rising Aid Payments and Debts Resulting from Unemployment

According to data from the U.S. Department of Labor, the unemployment rate in the County of Santa Clara was more than 10 percent in every month from March of 2009 through March of 2011. Similar high levels of unemployment have since persisted. Prior to the onset of the recession that began in late 2007, “employable” recipients made up a minority of cases. Subsequently, with the sharp rise in long-term, double-digit unemployment in the County, “employable” individuals now make up the majority of G.A. aid recipients. This General Fund expense that has tripled over the last eight years. These facts are illustrated on the following page.

Table 4.1

Employable Client General Assistance Expenditures as a Percent of Total General Assistance Costs from FY 2003-04 through FY 2011-12

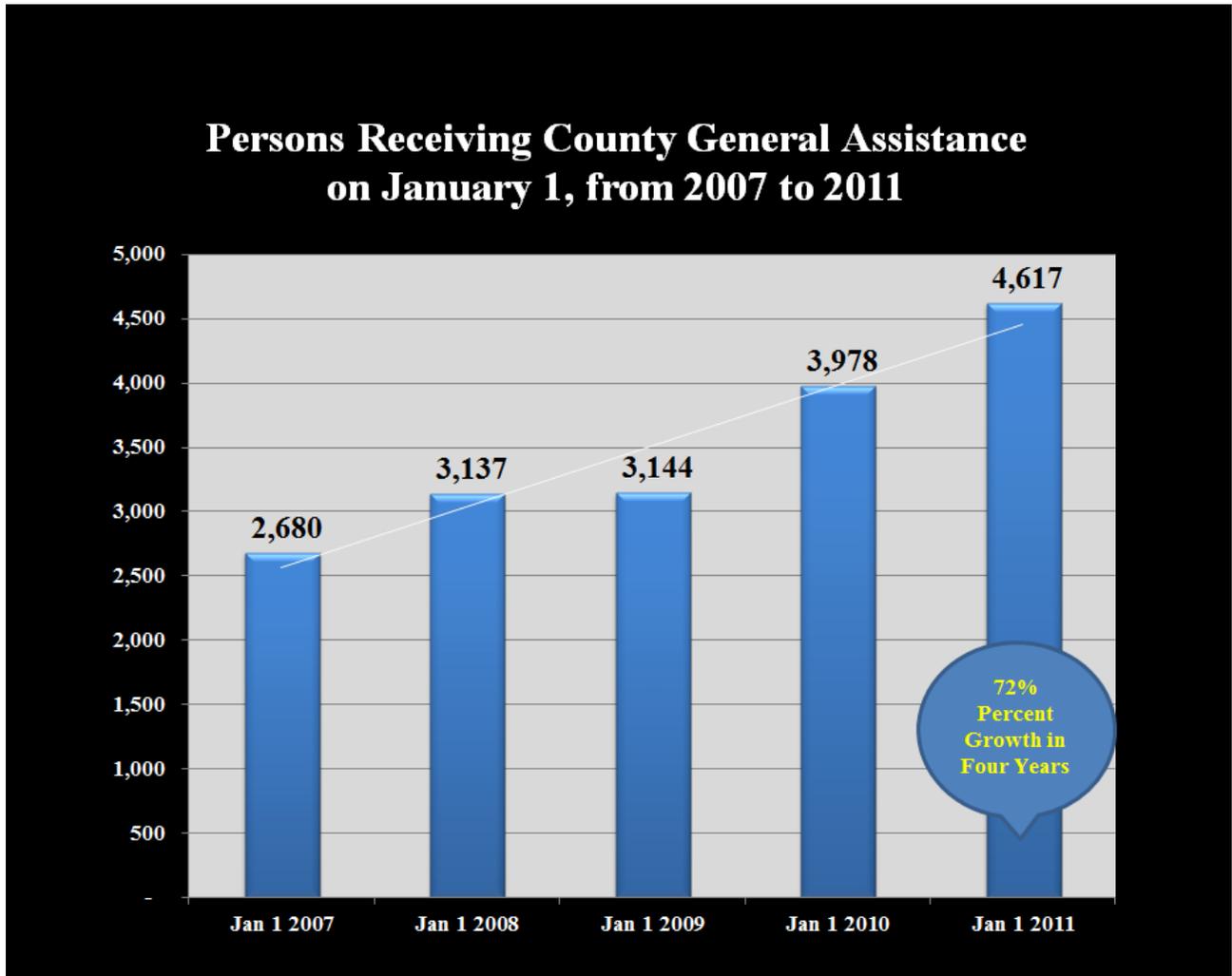


Source: Santa Clara County Social Services Agency Data

G.A. Caseload Increases in the County

According to the Social Services Agency’s “FY 2011 Fact Sheet,” the FY 2010-11 General Assistance program provided \$861,168 in cash and in-kind benefits to 4,641 persons per month. About 58 percent of these persons were able-bodied adults without dependents. The program provided employment-related services to 2,740 employable clients per month. Table 4.2 on below shows that there was a 72 percent increase in General Assistance recipients from January 1, 2007 to January 1, 2011. To put this in context, according to the state Department of Social Services data, a similar level of growth has occurred statewide.

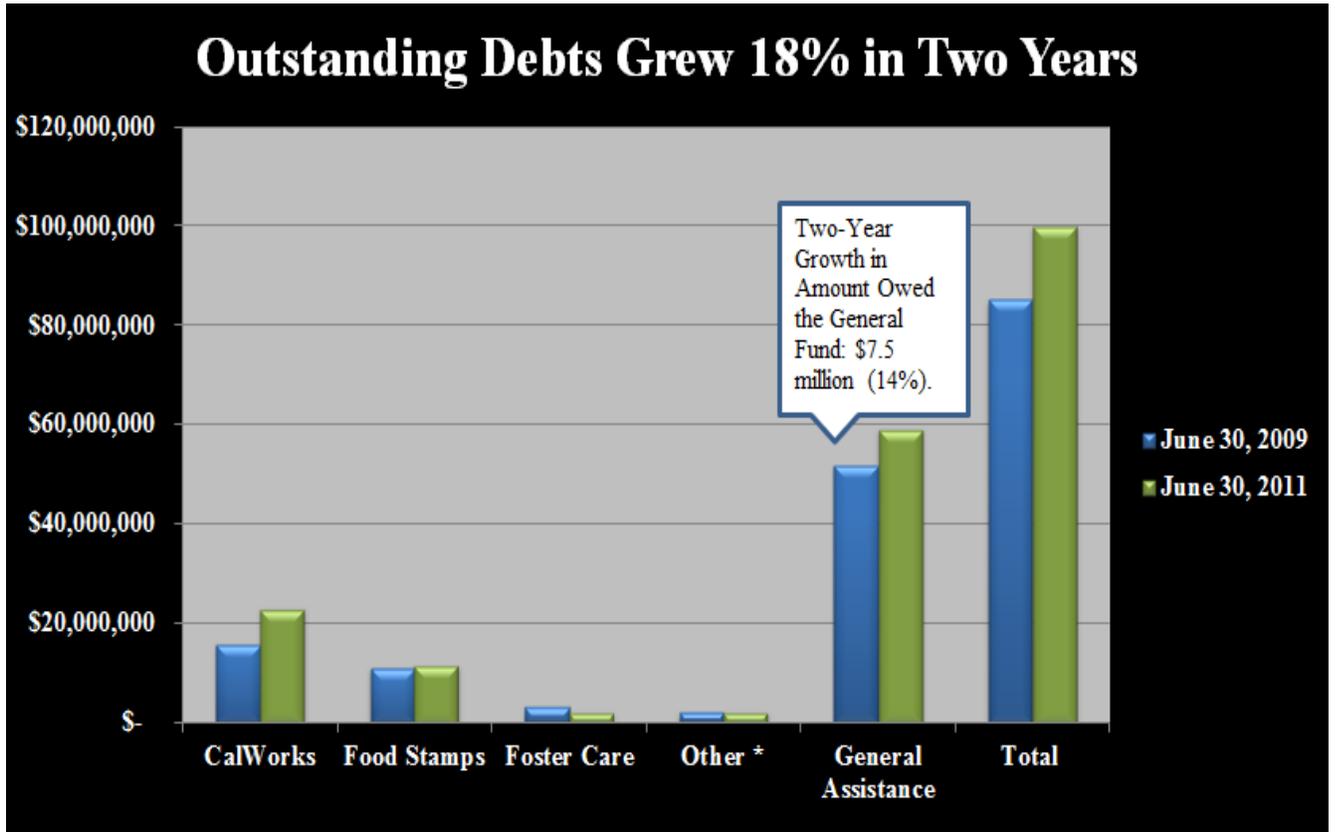
Table 4.2



Source: Social Services Agency Data

From June 30, 2009 to June 30, 2011, outstanding Social Services debt increased by 18 percent, driven in large part by a 14 percent rise in General Assistance monies owed, as shown in Table 4.3 below.

Table 4.3



Source: Social Services Agency

Invalid G.A. and Other Social Services Program Debts Slows Collections

“Employable” persons who receive General Assistance aid must perform work for the County in exchange for minimum-wage credits against their debt. These credits must be manually calculated by Employment Counselors (EC). After the EC determines amount of aid due, the amount received, and deducts work credits to determine the debt owed, the worker must manually enter it into the CalWIN system, which then interfaces with VACS³. Other debts for collections, such as overpayments of CalWORKs aid, are automatically calculated and loaded by the County’s CalWIN case management system.

All other counties which responded to a survey for this audit reported that there are staff assigned to review, verify and correct manual or automatic debts *prior* to commencement of collections efforts by the collections unit. Auditors also contacted San Francisco about this issue. In that county, there are nine full-time-equivalent staff dedicated to such work.

No such staff exist in the County of Santa Clara. All of the review occurs *after* accounts are in collections. Furthermore, the Santa Clara collections unit has no assigned EW within the unit to review the cases, and the collections staff have only cursory training in complex

³ Ventura Account Collections System.

eligibility rules and calculations. Personnel in the collections unit do not have confidence in the validity of the debts they are asked to collect. Some debts are over-stated and some are under-stated, according to Santa Clara collections staff, and interviews with counties that review and correct debts prior to collections. Although there is no pro-active effort to validate debts prior to collections in Santa Clara, it appears that a significant amount of research, verification and correction expense is occurring *after* collections commence.

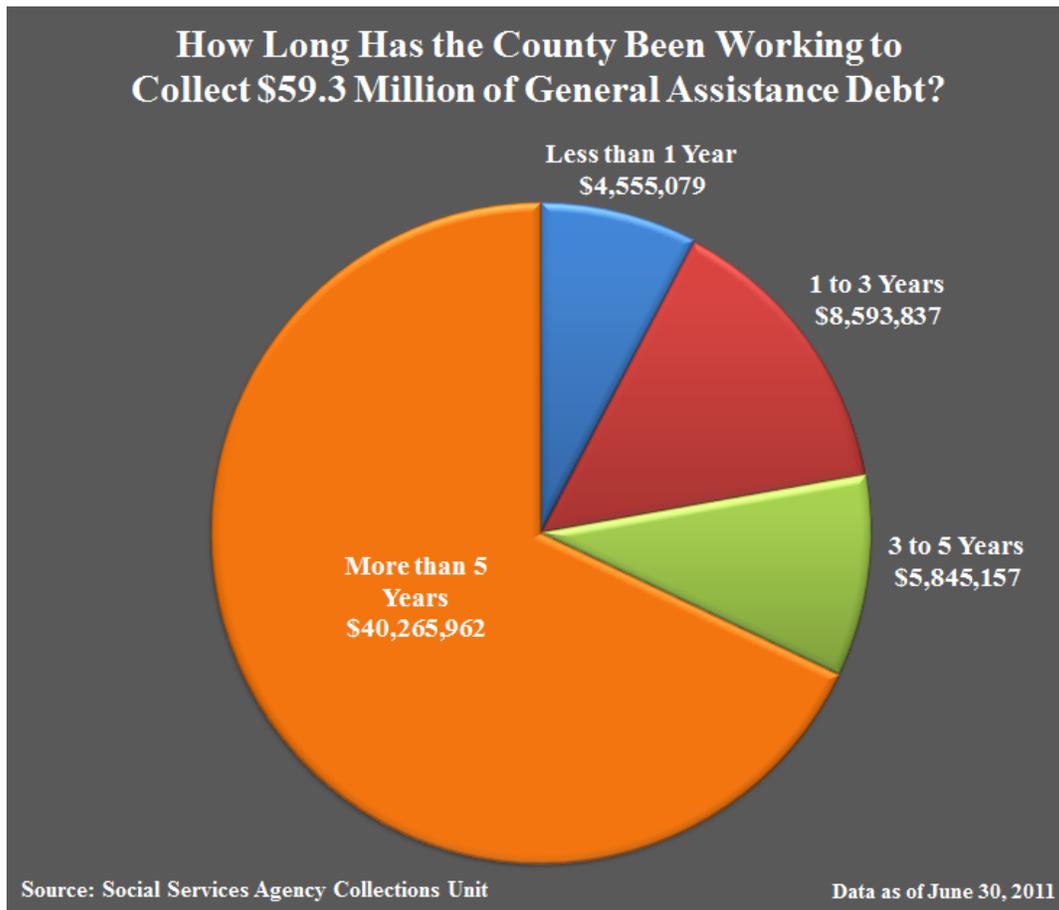
In addition to the previously described costs, there are significant additional costs in the Appeals unit associated with lack of valid debt. During this audit, there was backlog in the Appeals unit of approximately one month. This backlog is made up of debt-related and non-debt-related appeals. This delay is significant, since recipients *continue to receive aid payments while their case is awaiting a hearing*. To the extent that aid recipients are not entitled to the aid they receive while they are appealing a debt or aid decision, the delay increases the debt that the county must subsequently attempt to collect from the recipient. DEBS lacks the data that auditors would need to estimate the cost of this delay, but it is potentially significant.

To improve the accuracy of debts sent to collections, and reduce collections and post-collections costs, auditors recommend establishing a unit to provide a formal review of debts prior to forwarding them to collections. Invalid debts also generate an unknown number of appeals, which results in additional direct and indirect costs, as previously described. As previously indicated, auditors estimate that the cumulative time presently spent by Eligibility Workers responding to requests by the Collections and Appeals units to research accounts is equivalent to one full-time Eligibility Worker. In other words, the staff are doing the work now, but only *after the fact* and on a piecemeal basis. There would be no net cost or loss of Eligibility Worker capacity by having one Eligibility Worker specifically designated to perform this function *prior* to collections, as is common in other counties. The Agency should establish a “verification” unit by moving one Eligibility Worker into that function.

Absence of a “Write Off” Policy

The Social Services Agency has “write off” policies for other agency debts, but there is no policy for writing off either old, unproductive accounts or small amounts. Therefore, the majority of G.A. debt is very old by collections standards. As accounts age, they become more difficult to collect. As Table 4.4 on the following page shows, most G.A. debt is more than five years old.

Table 4.4



As shown by the chart, 78 percent of the General Assistance debt has been in collections for at least three years, with 68 percent (\$40.3 million) in collections in excess of five years. Some of these accounts are much older – going back 20 years. Auditors recommend that the Agency management develop and implement a write-off policy for General Assistance debt. At a minimum, all debts five years or older should be written off. The write-off policy should establish a minimum threshold, such as \$35, below which collections are not pursued in the interest of cost-effectiveness.

Program Design of Unlimited Loans Increases Outstanding Debts

Table 4.5 on the following page shows the design of 13 of the state’s G.A. employable client programs, including those of the state’s 10 largest counties. Programs are generally designed according to the length of time that benefits may be provided to an individual within a 12-month period⁴, and whether the money is a loan that the recipient is expected to pay back or

⁴ Time limits on G.A. payments for “employable” persons are authorized by Welfare

whether the money is a grant that the county does not attempt to recover. As shown in the table, most of these counties time-limit the benefits, usually to three-to-six months within a 12-month period. Of the four that do not limit the benefits, one provides the funds as a grant. Only three of the 13 counties in the table provide unlimited benefits to qualifying individuals, but expect those recipients to repay the funds. Of these three, Riverside’s collections activities are limited to such an extent that the funds could be construed for all intents and purposes as a grant-type program. In summary, among the state’s large counties, only San Bernardino County has a program that resembles Santa Clara’s in that the funds are unlimited for qualifying persons, and the county actively attempts to collect all of the aid payments.

Table 4.5

**General Assistance Program Design in Selected California
Counties for “Employable” Clients**

	Unlimited Time	Limited Time
Grant	San Mateo	Contra Costa Los Angeles Fresno
Loan	San Bernardino Riverside ¹ Santa Clara	Alameda San Diego Orange Sacramento Placer Butte
<i>¹Riverside has limited collection of these debts.</i>		
<i>Source: Survey responses from these agencies and/or their websites.</i>		

Time Limits vs. Unlimited Benefits

According to data supplied by the Social Services Agency, the average time a person received General Assistance aid in 2005 was 10 months. At that time, there was an average of 2,560 total G.A. cases per year. Since then, the average time on aid has increased steadily, to 15 months in 2011. The caseload also increased over the same period, to an average of 4,348 in 2011. As previously described, the nature of these recipients has also changed, in that most persons on aid today are considered employable.

As shown previously in Table 4.1, the County General Fund is now spending almost \$7 million per year for G.A. aid to employable persons, none of which is reimburse-able

and Institutions Code Section 17001.5, subdivision (a)(4). Following litigation, the State Supreme Court let stand in December 2009 Alameda County’s policy of providing three months of aid within a 12-month period, which had been contested in *Watkins v. Alameda County*.

from outside sources. To put this in context, this amount well exceeds the General Fund annual fuel budget for the County's fleet. Most other large counties have adopted time limits. The amount of savings that would be generated by time-limiting the program in the County of Santa Clara would vary depending on the limits adopted. Auditors were unable to obtain detailed data from Social Services regarding the volume of recipients on aid for given time periods. Auditors were only able to obtain average lengths of time on the program. In other words, the number of employable persons who are on aid by number of months was requested, but the Agency was unable to provide this level of detail. Monthly expenditures for the program are approximately \$575,000. Given that the average length of time on aid is now 15 months, auditors assume that at least 80 percent of recipients are on aid for more than nine months⁵. Based on this assumption, if the County limited payment of the benefits to nine months in a 12-month period, the annual General Fund savings would be about \$1.4 million per year on an ongoing basis. There would also be an unquantifiable amount of savings associated with not having to research the validity of these payments as future debts, collect on these payments, or hold appeal hearings on this debt.

Since time-limiting G.A. benefits within a 12-month period was allowed to stand in December 2009 by the state Supreme Court, the Board of Supervisors should consider whether, given the growing costs of the program coupled with the ongoing shortage of General Fund revenues, the practice of providing benefits to qualifying persons indefinitely is or is not in the best interests of the County.

Cost Effectiveness of Collections of Loan vs. Non-Collections of Grants

In addition, because the payments are considered a loan, rather than a grant, most of the aid given eventually becomes a debt. The county incurs significant costs associated with attempting to recover the aid payments. These costs include:

- The expense of Collections Officers who work to collect the debt;
- The expense of Eligibility Workers who must research questions about the debt when they arise either from the Collections staff or the Appeals staff;
- The expense of holding hearings to resolve disputes about the debt, including the cost of a G.A. Hearing Officer as well as further review, research and representation at the hearing by Eligibility Examiners. There is a backlog in the Appeals unit generally, and this results in payments continuing to be made at county expense while cases await hearings.

⁵ Assumptions are as follows: that the distribution of time on aid is "normal" (a bell-shaped curve), and that the standard deviation is six months or less. Under these assumptions, about 84 percent of recipients will have been on aid for more than nine months. Auditors therefore assumed that about 80 percent of 12 months of costs are paid to persons who have been on aid longer than nine months. This is about \$5.52 million. Each month of costs for persons on aid in excess of nine months is therefore estimated at approximately \$460,000. Reducing eligibility from 12 months to nine months would reduce costs by an estimated \$460,000*3, or \$1.38 million.

The three G.A. Appeals Eligibility Examiners cost approximately \$330,000 per year. Based on the research requests submitted to eligibility workers from both Collections and from Appeals, the research time equates to about one full-time Eligibility Worker, or about \$96,000 per year including benefits. In addition, the G.A. Hearing Officer contract costs about \$32,500 per year. A portion of these expenses would be incurred in any case. For example, there would still be appeals of decisions to deny aid, and there would still be collections efforts if there were inadvertent overpayments of G.A. monies. However, it is likely that a significant portion of these expenses are driven by the act of collecting the “employable” G.A. payments that are required by State law. In addition, the cost of the Revenue Collections Officers assigned to G.A. accounts cannot be estimated, but there are nine collections staff, at least some of whom engage in G.A. collections efforts. Although the County overall collects about \$1.3 million per year in G.A. receipts, the vast bulk of that comes in the form of federal reimbursement of non-employable recipients (ie., SSI payments.) Only about \$250,000 per year is collected directly from “employable” persons. Given the expenses for the efforts of Collections Officers, three G.A. Eligibility Examiners and a G.A. Hearing Officer in the Appeals unit, and the equivalent of about one Eligibility Worker, it is likely that the county nets little or no revenue from these efforts, and it may actually be losing money in the attempt to collect non-reimbursable payments from employable G.A. recipients. The Board of Supervisors should consider whether to restructure the G.A. “employable” program from a “loan” program to a “grant” program for direct recovery. Efforts to collect debts through indirect means, such as property liens, and interception of tax refunds should continue in any case. By eliminating direct collections efforts, existing staff to re-direct efforts to more fruitful areas of recovery.

CONCLUSION

The county’s General Assistance program structure should be re-evaluated in light of increasing costs and the changing make up of recipients to determine if time limits or the issuances of monies as unlimited loans is warranted. In addition, collection of Social Services debt, particularly for the General Assistance program, is hampered by inaccurate debt amounts, which result in collections delays and unnecessary costs. Rather than research accounts after they are in collections, there should be staff allocated to assuring that debts are valid prior to collections, as is common in other large California counties. Furthermore, the agency has a large number of accounts that are more than 5 years old, and these accounts should be written off. Lastly, at least one Revenue Collections Officer should have Eligibility Worker training.

RECOMMENDATIONS

The Board of Supervisors should:

- 4.1 Direct the County Executive to have the Social Services Agency develop and implement a write-off policy for General Assistance debt. At a minimum, all debts five years or older should be written off. The write-off policy should establish a

- minimum threshold, such as \$35, below which G.A. collections are not pursued due to lack of cost effectiveness. (Priority 3)
- 4.2 Consider whether to place time limits on the General Assistance program for employable persons. A nine-month limit within a 12-month period would save the General Fund an estimated \$1.4 million per year on an ongoing basis. (Priority 1)
- 4.3 Consider whether to restructure the G.A. “employable” program from a “loan” program to a “grant” program, due to lack of cost-effectiveness of direct “loan” collections. Indirect collections, which represent the vast majority of receipts, should continue. (Priority 1)
- 4.4 Establish a pre-collections debt verification and correction review process. By using existing staff, at least one of whom is presently carrying out this work on an after-the-fact basis, this recommendation is cost-neutral, and should ultimately result in less waste and inefficiency. (Priority 2)
- 4.5 Provide the same training to existing and future Collections Officers that Eligibility Workers receive to enable Collections Officers to validate debts and proceed with collections on a more timely and efficient basis. (Priority 2)

SAVINGS, BENEFITS AND COSTS

Implementation of Recommendation 4.1 would improve the cost-effectiveness of collections, as low-dollar amounts of \$35 or less would not need to be billed, researched, verified, appealed, or tracked. In addition, a large amount of very old debt, which is unlikely to ever be collected, would be removed from the books. Implementation of Recommendation 4.2 would result in the Board re-assessing the unlimited payment of G.A. benefits, to determine if a change in this policy is in the best interests of the county. Providing benefits for nine months in a given 12-month period would save an estimated \$1.4 million per year. Per Recommendation 4.3, the county could save money by ceasing efforts to collect approximately \$250,000 per year directly from “employable” G.A recipients. Implementation of Recommendations 4.4 and 4.5 would establish a review process for G.A. debts and other Social Services Agency debts. This review would increase or decrease the amounts owed on each debt to ensure that is in fact the actual amount owed prior to commencement of active collections efforts on those debts. This would free Collections Officers from having to try to ascertain the actual debt owed by referring the accounts back to Eligibility Workers in another department and waiting for resolution of the accounts. This would also reduce the need to halt collections efforts while account balances are sorted out, and likely would reduce the number of debts that are appealed. Each appeal costs the county at least \$480. Presently, there are three Eligibility Examiners who are assigned exclusively to G.A. Appeals, at a cost of about \$330,000 per year. Additionally, the Appeals unit, which handles approximately 2,100 hearings per year, has a backlog of hearings of approximately one month. During that month, benefits continue to be paid at County expense, which in some cases, increases the debt that must be collected. To the extent that appeals can be

minimized, the county would save appeals costs. Because auditors propose using existing staff to conduct these reviews, there would be no new costs. Lastly, the Collections Unit would be able to further increase efficiency of collections efforts and minimize delays by having at least one Collections Officer trained in eligibility rules to further facilitate validation of debts. Sending a Collections Officer to six months of training would result in foregone collections estimated to be \$200,000 as a one-time cost. However, this training could improve collections rates by facilitating determination of actual debt amounts within the collections unit so that debt collection can proceed.

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Section 5. SSA Contract Management and Audits

- Social Service Agency contracts, memorandums of understanding, inter-agency agreements and service agreements are managed by the Office of Contracts Management (OCM). In FY 2011-12, OCM managed 280 contracts valued at more than \$54.3 million. This management includes procurement and compliance, fiscal and program monitoring.
- Several factors inhibit efficient management of contracts and agency agreements, including a “top-heavy,” bifurcated management structure that limits the ability to distribute work load, absence of consistent written and implemented policies and procedures, and the fact that the unit is staffed by personnel whose job descriptions do not require experience or knowledge in contract monitoring, procurement or contract law.
- As a result of weaknesses in contract management, the County has sometimes made payments and expended monies due to SSA’s payment of invoices that were not supported with proper documentation. An internal review of just 14 agencies with 37 contracts – just 13 percent of the agreements in place – in FY 2009-10 recovered \$111,000 worth of such payments. Such reviews have not occurred in the past.
- Restructuring the department to have one unit managed by one Program Manager II and reclassifying the second Program Manager II as a Sr. Management Analyst will allow management to have greater flexibility to redistribute work load when necessary and will create more efficient and consistent contract management and result in a small amount of savings. Expanding fiscal monitoring will reduce the amount of money paid out to agencies for unauthorized charges and duplicative payments. Also, this monitoring will enable the County to recoup monies already paid to agencies. The County recouped \$111,000 in FY 2010-11 with limited onsite review. An expansion of onsite reviews likely would result in greater future recoveries and/or reduce the need for recovery.
- Enhanced job descriptions that include a requirement for prior contract management and procurement experience would ensure that training dollars could be spent enhancing skills instead of gaining skills. The cost to the County to convert existing classifications to the new classifications would be approximately \$10,800. Net benefits from implementation of all recommendations in this section are estimated at several hundred thousand dollars per year.

Organization of the Contracts Management Office

Social Services Agency contracts and agency agreements are managed and monitored by the Office of Contracts Management (OCM). OCM is divided into two groups each managed by a Program Manager II. OCM Administrative Services (AS) manages all information technology, child abuse, Administrative Office and General Fund contracts. The Contract Program Monitoring (CPM) and Evaluation/Grants manages all Department of Family and Children's Services contracts, memorandum of understandings (MOU), inter-agency agreements and grants. Further, OCM employees manage the procurement process by conducting requests for proposals, requests for qualifications and informal purchasing processes. Both of these groups report to the SSA Deputy Director of Operations.

Administrative Services consists of nine Full-Time Equivalent (FTE) staff, managed by a Program Manager II. Six of the nine FTEs are responsible for contract compliance, program monitoring and procurement. In addition, one position conducts insurance compliance monitoring on 124 contracts.

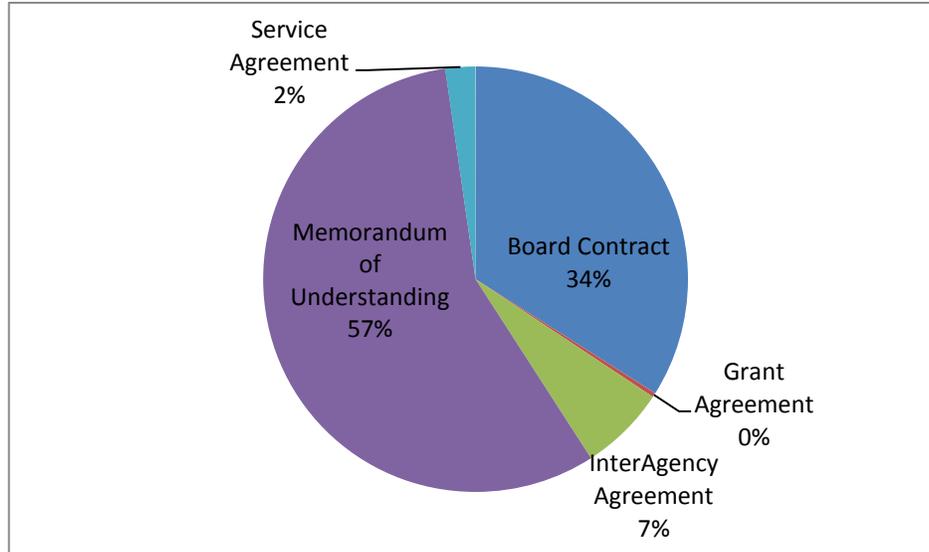
Administrative Services also includes two employees who conduct fiscal monitoring. Fiscal monitoring for all OCM agreements is conducted by the Senior Accountant and one of the Management Analyst. The fiscal monitor monitors 170 contracts. This monitoring includes reviews all invoices before they are submitted for reimbursement, performing desk audits and conducting site visits. All invoices must be accompanied by back up information to document expenditures. Further, the fiscal monitoring staff reviews financial information received from vendors during the RFP process and submits an opinion on the vendor's financial viability.

Contract Program Monitoring has four FTEs managed by a Program Manager II. All four positions have contract monitoring and procurement responsibilities. In addition, the one employee is responsible for processing all payments for the Transitional Housing Placement Plus program through the CalWIN system. The OCM organizational chart is provided as Attachment 5.1.

At the time of the audit, OCM was monitoring 280 agreements valued at over \$54.3 million. Ninety-four percent of the funding is from non-general fund sources. Chart 5.1 on the following page shows agreement type by dollar value. SSA uses several types of agreement types: board contracts (BC), memorandum of understandings (MOU), inter-agency agreements (IA), service agreements (SA) and grant agreements (GA). In FY 12, Board contracts make up 47% of the types of agreements between SSA and various agencies and vendors but only make up 34% of the funding. While MOUs account for 25% of the agreements and over 54% of the funding. See Attachment 5.2 for additional information on contract types and dollar value per contract type.

Chart 5.1

Percent of FY 2010-11 Dollars Spent by Type of Agreement



Source: SSA Office of Contract Management

Workload is Inefficiently Distributed

The divided structure, shown in Chart 5.2 on the following page, leads to an inequitable work load and does not allow for management flexibility when there are long-term leaves or position vacancies. Administrative Services has nine FTEs including a Program Manager II, one Senior Management Analyst, three Management Analysts, two Associate Management Analyst B positions, a Senior Accountant and an Office Specialist III. Six out of the nine FTEs manage contracts and perform compliance monitoring. They currently manage 113 of contracts and agreements. In contrast, the Contract Program Monitoring group has four FTEs. All four have contract compliance and management responsibilities. They manage 167 contracts, MOUs and inter-agency agreements. However, at the time of this audit two of the four positions in that group were on medical leave.¹ This reduction in staff required the remaining Sr. Management Analyst and one of the Management Analysts to work out of code. Those absences left two people to manage 167 contracts, MOUs and Inter-Agency agreements. The other positions were backfilled with extra help employees. For FY 2011-12 September 2011 to February 2012, extra help will cost OCM almost \$31,000 to cover the workload due to the long-term leaves. This expenditure could be reduced or eliminated if management had the flexibility to temporarily redistribute work load amongst the two units during staffing shortages. If the units were merged and staff cross trained, management

¹ During the audit one Associate Management Analyst B position in AS was vacant and one of the Management Analyst positions and the Program Manager II in CPM was on medical leave.

would have been able to distribute the work load across the remaining seven OCM staff members who monitor contract compliance.

Chart 5.2

Distribution of Contracts within Two Units of the Office of Contract Management

Contract Program Monitoring		Administrative Services	
Title	# of Contracts Managed	Title	# of Contracts Managed
Program Manager II (Acting)	56	Program Manager II	7
Sr. Management Analyst (Acting)	53	Sr. Management Analyst	30
Management Analyst	17	Management Analyst 1	32
Extra Help 1	30	Management Analyst 2	15
Extra Help 2	11	Associate Mgmt Analyst B 1	29
		Associate Mgmt Analyst B 2	0
Totals	167		113

Source: SSA Office of Contract Management

Procedures and Policies are Inconsistent

Further, a single contract monitoring division would allow for consistency of policies and procedures. During our review of 63 contract files and binders we discovered that there were inconsistent monitoring policies. Further, there were discussions about the need for a consistent procedure or method to conduct the monitoring process. Some analysts were using forms and others were not. Both the Administrative Services and the Contract Program Monitoring groups were using binders and contract files to maintain information on the contracts they were monitoring. However, that is where the consistency ends. Administrative Services binders were structured to include copies of the quarterly reports, invoices, the contract and any monitoring notes or activities. Even within the Administrative Services group there were inconsistencies in the way files and binders were maintained. Some files contained invoices with back up others contained invoices only. There is a draft policy that instructs employees on how the binders should be kept. The Contract Program Monitoring group's binders are used as substitutes for the contract file. According to management, the files are mainly used for meetings with the program monitors. Each compliance monitor can structure the binder as they see fit. The draft policy manual that details all compliance monitoring processes and policies should be finalized, approved and implemented. This manual should include standardized forms for program monitoring and vendor communication. A Technical Assistance form (Attachment 5.3) was being used by one of the contract monitors to detail issues, vendor communication and resolutions to issues. This document was placed in the contract binder. During the audit, we found that a draft policy manual had been developed but that the procedures had not been finalized or officially

implemented. We recommend that the policy manual be adopted and disseminated to the staff.

Management Positions are Excessive

A span of control analysis of this department shows managers managing only 1.2 to 1.6 FTEs. To address this low span of control and assist with work load distribution, we recommend that one Program Monitor II should manage all staff. The remaining Program Manager II position should be reclassified as a Sr. Management Analyst. A reclassification of the Program Manager II position to a Sr. Management Analyst would bring a savings of almost \$7,800 annually. In FY 2011-12, OCM staff monitor a total of 280 contracts, MOUs, service agreements and inter-agency agreements. The recommended restructuring and cross training would make it possible to distribute the work between one Program Manager II, three Sr. Management Analyst, four Management Analysts and two Associate Management Analyst Bs. For example then on average, each analyst would then monitor approximately 28 agreements. We recommend combining these units, reclassifying one of the Program Manager II positions to a Sr. Management Analyst and cross training all staff.

Program and Contract Monitoring

Currently, the Administrative Services group serves as both the program and contract compliance monitors for 75 of the 113 assigned contracts². Attachment 5.4 details the contracts, programs and indicates which group is responsible for contract monitoring and program monitoring. The contracts cover services from the Department of Employment and Benefit Services (DEBS), the Department of Aging and Adult Services (DAAS) and other SSA functional areas. AS staff reviews vendor compliance with the contract components and must review aspects of the agency's programs to ensure that the programs are in compliance with SSA's expectations and guidelines. This program review requires AS staff to be knowledgeable about SSA's programs and specific state guidelines.

In contrast, the CPM group monitors contract compliance only. A Department of Family and Children's Services (DFCS) employee serves as the program monitor who oversees program compliance. DFCS staff has the specialized knowledge to properly monitor the program and the expertise to work with the agency to ensure proper services are delivered to the community. A CPM staff member and a DFCS jointly conduct any site visits. The CPM staff member focuses on the agency's ability to comply with the agreement, while DFCS reviews the agency's ability to deliver the contracted program.

We recommend that all program monitoring be done by the respective agencies. DEBS, DAAS should assign these remaining contracts to the staff persons who are currently serving as program monitors on other monitored contracts and agreements that are within their department. Other programs that fall outside of DEBS and DAAS should be assigned to the

² The remaining 38 contracts have assigned program monitors from other SSA departments.

appropriate SSA staff that manage the program level activities. AS monitors should only be responsible to perform contract compliance monitoring. DEBS, DAAS and other SSA staff program monitors have knowledge of the programs and are more suited to give an efficient and accurate assessment of an agency's compliance with program expectations, state and federal regulations and SSA guidelines.

Job Duties Not Aligned with Job Classifications

The employees who monitor contracts are classified as varying levels of Management Analyst. All of these employees are managed by two employees classified as Program Manager IIs. The Management Analyst positions require people to be able to problem solve, know the principles and practices of public administration and reason logically. The Program Manager II job description does not require any prior business or contracting knowledge. The job description calls for a knowledge of program development and evaluation, techniques of organizing and motivating groups, personnel management, problem solving, etc. Neither the Management Analyst nor Program Manager current job descriptions require any knowledge or a background in business administration or contract management.

The management analyst classification is a broad analytical classification. The positions in OCM require specialized knowledge and skills. An OCM management analyst and program manager must possess knowledge on contract law, contract monitoring procedures, internal controls, financial analysis and the procurement process. To be most effective, an OCM employee should possess some level of that knowledge prior to joining the department. Currently, employees with little to no contracting or business background can transfer into those positions.

The County has job description that would more closely align with the knowledge and skill set required to perform effectively in this position: Procurement Manager, Procurement Contract Specialist, Buyer III and Buyer II. All of these positions require specific contracting knowledge and experience. Specifically, the Procurement Manager and Procurement Contract Specialist positions both must have knowledge of "laws, regulations, policies and procedures related to large scale public sector purchasing including solicitation of bids/proposals, financing, evaluation of offers, negotiations and awarding of contracts", Uniform Commercial Code and contract law. A comparison of job titles is provided in Chart 5.3 on the following page.

Chart 5.3

Comparison of Job Titles and Contract Experience

Title	# FTE in OCM	Contracting Experience Req in Job Description
Program Manager II	2	No
Sr. Management Analyst	2	No
Management Analyst	5	No
Associate Management Analyst B	2	No
Procurement Manager	0	Yes
Procurement Contracts Specialist	0	Yes
Buyer III	0	Yes
Buyer II	0	Yes

Source: Employee Services Agency

We recommend that the Social Services Agency seek to change the current job descriptions to descriptions that require prior contracting experience and knowledge by requesting that the Employee Services Agency conduct a classification study to find the appropriate job classification for OCM employees. Employees with contract law and management experience would strengthen SSA’s contracting process. OCM currently manages contracts and other agreements valued at over \$54.3 million. Inexperience can lead to costly mistakes. Further, if OCM can hire people with contracting experience then there is less need for basic training. All training can focus on enhancing the skills needed to perform the job instead of acquiring those skills.

An analysis of salaries using the salary low for each position in OCM shows that under the current job description the cost is approximately \$711,838. Using the salary low for existing procurement job descriptions the salary cost would increase by approximately \$10,800.

Fiscal Monitoring Should Be Expanded

OCM began conducting fiscal monitoring in FY 2010-11. There are two FTE dedicated to performing fiscal monitoring, annual financial statement reviews, monthly budget tracking and providing financial analysis on Request For Proposal responses. Fiscal monitoring is performed on 170 of the 280 contracts.³ The fiscal monitor reviews and approves all invoices prior to payment. SSA did not require agencies and vendors to submit back up

³ Fiscal monitoring is only conducted on contracts that have a dollar value. Approximately 100 of the 269 contracts are service agreements that do not have a budget allocation. Since these agencies receive no money from the County for the services they perform and therefore do not submit any invoices there is no fiscal monitoring performed by OCM.

documentation with their invoices prior to 2010. Since that time invoices must be accompanied by sufficient documentation that shows evidence of the services rendered on the invoice.

In FY 2010-11 the Fiscal monitor conducted site visits at 14 agencies that have 30 to 35 contracts valued at over \$7.1 million. The agencies were selected because they have either a high volume of contracts with SSA or they are considered high risk based on desk audits. During the site visits the County was able to recoup over \$111,000 in duplicated fees or unauthorized expenditures from four of the 14 agencies visited. This dollar amount recovered was 2 percent of the total amount audited. The largest recovery of \$87,431 came from an agency that had two contracts valued at over \$900,000.

In FY 2011-12, OCM managed over \$54.3 million. Using the 2% recovery rate as a guideline, it is could be possible for SSA to recover over \$1 million in duplicated fees and unauthorized charges from contracting agencies. OCM should expand its Fiscal Monitoring program to all contracts over \$100,000. This expansion can be accomplished by including FMS staff in the process. Once the recommended restructuring outlined in Section 8 of this report it will facilitate this process.

Internal Controls Are Weak for Some Accounts Payable

In 2011, SSA developed the Transitional Housing Placement Plus Program (THPPlus) to provide transitional housing for youth that are aging out of the foster care system. Payments for this program are processed through CalWin. In FY 2010-11, SSA spent \$2.1 million on this program. On average \$178,000 is paid out monthly.

An OCM staff member processes payments for the THPPlus program. This same employee is responsible for negotiating the contract with the agencies and monitoring agency compliance with the contract. She also receives the invoices, reviews them for accuracy, approves payment and then processes the payments. In contrast, all other invoices are received and reviewed by either the contract compliance monitor or program monitor then submitted to the fiscal monitor for review and payment authorization and then submitted to Accounts Payable for payment. The current process for THPPlus payments creates an internal control weakness and does not provide the proper separation of duties and violates County policy

The 2005 Claims Training Manual issued by the Santa Clara County Finance Agency outlines the recommended separation of duties in a matrix. The matrix shows a staff employee as a Requisitioner, a supervisor as a Requisition Approver and then a staff employee as a receiver. The manual shows further separation of duties with a staff employee in the department's fiscal division processing the invoice. The manual goes on to state that, "Those departments whose size does not permit a separation of duties similar to the one set forth in the matrix should develop a process which ensures that at least two people are

involved in the vendor payment process.”⁴ There is separation of duties in all other monitoring and invoicing duties in OCM. THPPlus should conform to existing OCM and Santa Clara County policies. We recommend that the payment processing for THPPlus be moved from OCM and placed in Accounts Payable. This would create additional oversight and internal controls to ensure proper monitoring of this program. Further, these invoices should be reviewed by the Fiscal Monitor.

CONCLUSION

The Social Services Agency should reorganize the Office of Contracts management to create a single contracting unit managed by one Program Manager II. The additional Program Manager II should be reclassified as a Sr. Management Analyst. This realignment would increase the flexibility to distribute the work load. Further, the draft policy manual should be revised to include the new alignment and then promptly distributed to OCM staff to ensure consistent and efficient contract compliance management.

Further, OCM’s current job descriptions should be changed to ensure that they include experience and knowledge of contract management and contract law. The Board of Supervisors should direct ESA to conduct a classification study on the existing contract compliance monitoring positions in OCM to determine the appropriate job classifications.

The fiscal monitoring process should be documented and made a permanent part of the contract monitoring procedure. Fiscal monitors were able to recoup \$111,000 in FY 2010-11 by conducting onsite reviews at 14 different agencies.

Finally, SSA should remove the payment processing for the THPPlus Program from OCM. The current process creates an internal control weakness and violates County policy.

RECOMMENDATIONS

The Social Services Agency should:

- 5.1 Reorganize the Office of Contracts Management to merge its two units under one manager to facilitate proper distribution of workload and reduce extra help expenditures. (Priority 2)
- 5.2 Request reclassification of a Program Manager II position as a Sr. Management Analyst who can take on contract monitoring responsibilities, thereby reducing the “top heavy” management of the Office of Contract Management. (Priority 2)

⁴ 2005 Claims Training Manual - Finance Agency, Controller-Treasurer Department, Claims Unit, December 2005, p. 5

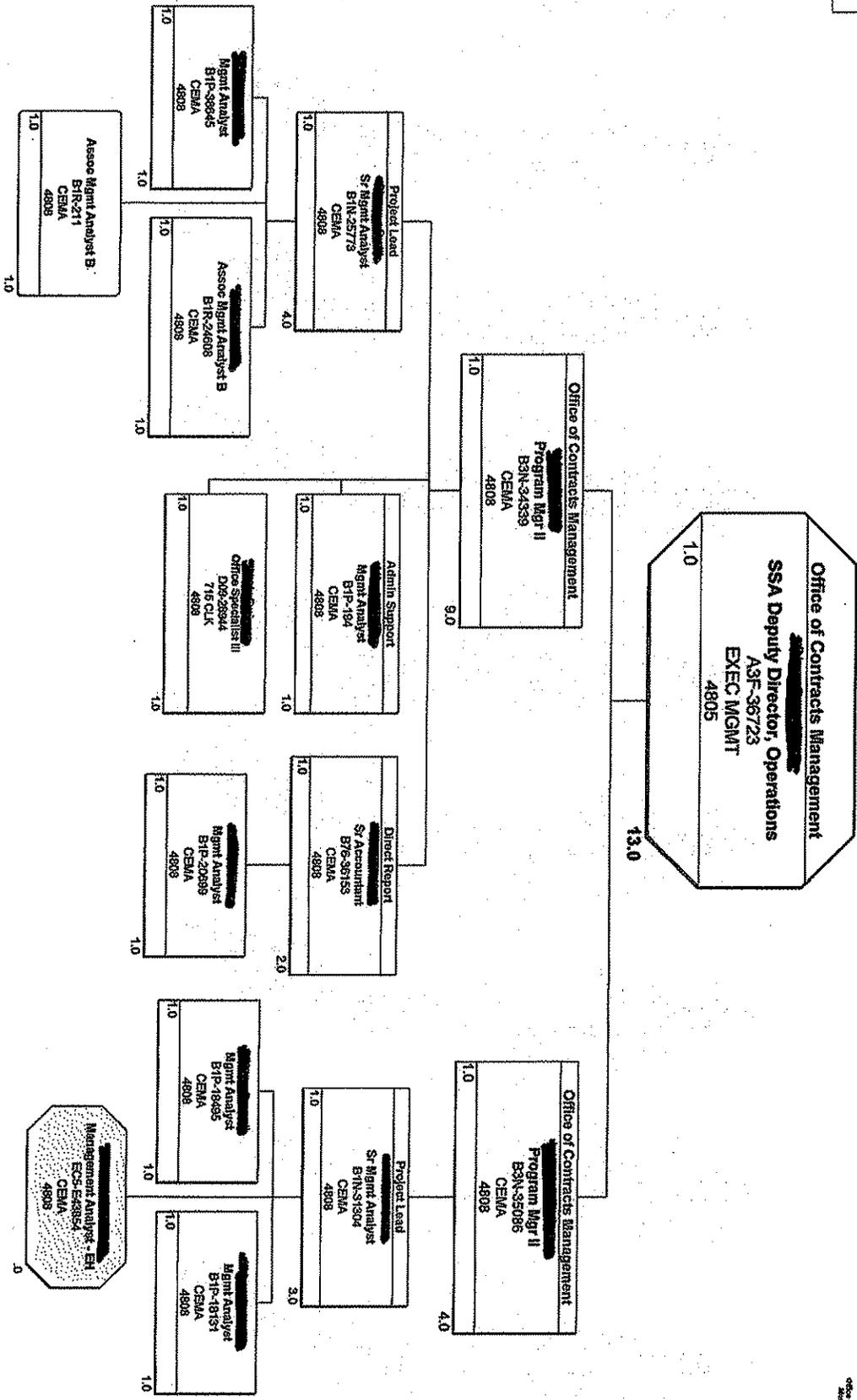
- 5.3 Transfer program monitoring responsibilities to the respective departments, where the program expertise lies, rather than monitoring program compliance in the contracts office. (Priority 3)
- 5.4 Amend the policy manual to include a standardized process for the reorganized Office of Contracts Management and disseminate the amended manual to staff. (Priority 3)
- 5.5 Request a change to the current Office of Contract Management (OCM) job descriptions responsible for compliance monitoring and procurement to descriptions that require prior contracting experience and knowledge. The Employee Services Agency should conduct a classification study to find or develop the appropriate job classification for OCM employees. (Priority 2)
- 5.6 The Fiscal Monitoring process implemented in FY 2010-11 should be documented and expanded to cover all contracts of \$100,000 or more. Further, all invoices, including invoices for the THPPlus program, should be reviewed and approved by the Fiscal Monitor prior to payment. (Priority 1)
- 5.7 The payment processing for THPPlus should be moved from OCM and placed in Accounts Payable to improve internal controls to ensure proper monitoring of this program and compliance with County policy. (Priority 1)

SAVINGS, BENEFITS AND COSTS

Implementation of recommendation 5.1 would have minimal costs but would provide additional staffing flexibility and could reduce the need for and cost of extra help staffing. This recommendation could realize a savings of approximately \$30,000 over a 12-month period. Implementation of Recommendation 5.2 would result in savings of \$7,800 annually. Recommendation 5.3 would improve assurance that the County is receiving the services it needs and is paying for, and Recommendation 5.4 would improve consistency in contract monitoring. Recommendation 5.5 could cost the County approximately \$10,800 depending on the results of the reclassification assessment, but could improve contract monitoring, which could result in indirect savings. Implementation of Recommendation 5.6 would result in increased savings from fiscal monitoring. Initial fiscal monitoring that occurred on selected contracts generated savings of \$111,000. It is reasonable to assume that further monitoring would generate additional savings. The amount of this potential savings is undetermined, but could be several hundred thousand dollars. Recommendation 5.7 would improve compliance with County policy, and reduce the internal control risk associated with more than \$2 million worth of accounts payable annually.



Department of Operational Services
Office of Contracts Management
 333 W. Julian Street, San Jose, CA 95110



Position Title	Grade	Max	Min	Total
Program Mgr II	B3N-34339	1	1	1
Sr Mgmt Analyst	B1N-25773	1	1	1
Assoc Mgmt Analyst B	B1R-24608	1	1	1
Mgmt Analyst	B1P-194	1	1	1
Office Specialist III	D69-28844	1	1	1
Sr Accountant	B7E-30155	2	2	2
Mgmt Analyst	B1P-20699	1	1	1
Project Lead	B1N-37504	1	1	1
Mgmt Analyst	B1P-18485	1	1	1
Project Lead	B1N-37504	1	1	1
Mgmt Analyst	B1P-18131	1	1	1
Management Analyst - EA	ECS-48854	1	1	1
Total		13	13	13

Control Expand List Refresh Select

Social Services Agency Agreement Types and Dollars Spent

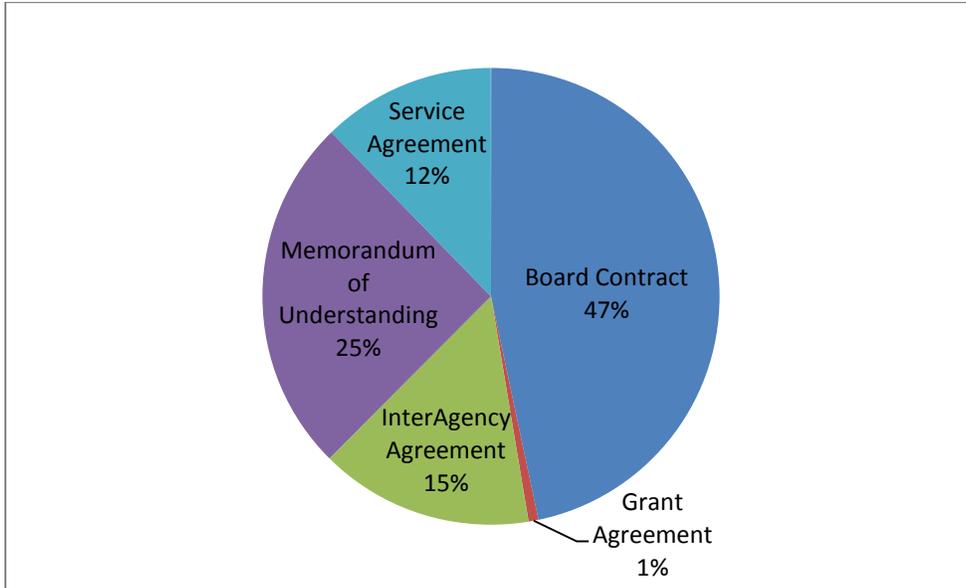


Figure 1 Percentage of Agreements by Type

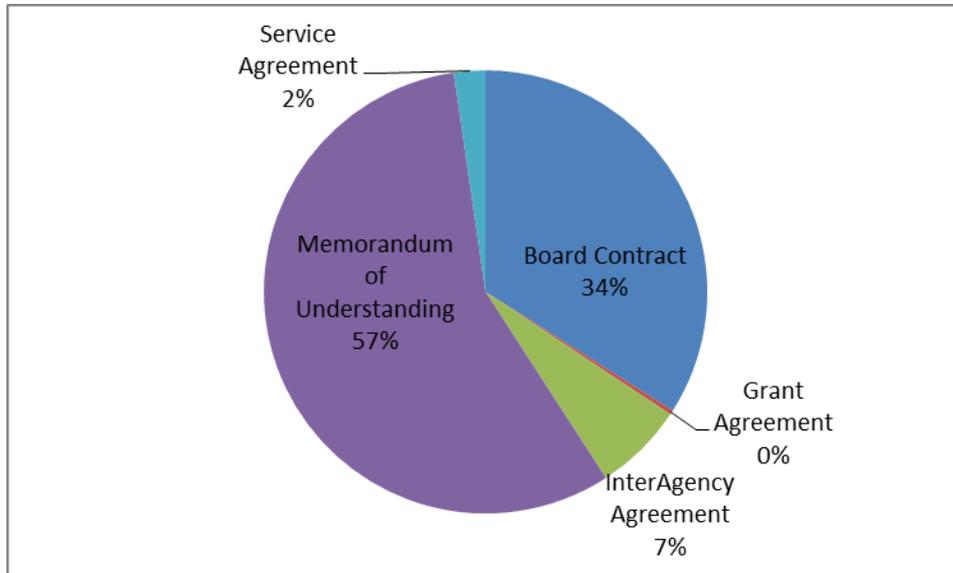


Figure 2 Percentage of Dollars Spent by Agreement Type

Santa Clara County Social Services Agency
 Contract Monitoring Report – Part VI
 Page 1 of 1

Contract #: [REDACTED]
 Program Name: [REDACTED]

**PART VI
 FOLLOW-UP/TECHNICAL ASSISTANCE REPORT**

Instructions: This report is only to be used if the contractor requires follow-up or requests technical assistance. It is intended to assist you in developing follow-up notes and noting the needs for technical assistance by the contractor.

<p>Dates where follow-up or technical assistance was noted.</p>	<p>Mtg. Scheduled for 11-30-2011 @ [REDACTED] ([REDACTED]).</p>
<p>Explain the nature of the contact (technical assistance and/or follow-up).</p>	<ul style="list-style-type: none"> • what does HOPWA mean? • what does U.O.S. represent? • Are clients only served 1x in Q1, Q2, Q3, Q4? why are there no dup. client counts? • There are 3 outcome statements, but the Service Del. Part 1 + 2 only have 2, why? • Has Director of Clinical Svcs. been hired? if so, updated staffing plan required. • where do referrals come from?
<p>Describe action(s) to be taken, as a result of the contact.</p>	<p>See meeting notes attached (from 11/30/11 mtg. with [REDACTED] and [REDACTED].)</p>
<p>Describe the outcome of your contact.</p>	<p><u>Favorable</u> Contractor's records are impeccable & easy to understand (See Notes 11/30/11)</p>

[REDACTED]

 Program Monitor Signature

11/30/11

 Date

Contract and Program Monitoring

Attachment 5.4

	Compliance Monitor	Program Monitor	Agency	Program/Project Name
1	OCM	OCM	Asian Americans for Community Involvement (AACI)	Domestic Violence Program
2	OCM	OCM	Asian Americans for Community Involvement (AACI)	Senior Wellness Program
3	OCM	OCM	Avenidas Rose	Avenidas Rose Kleiner Senior Health Center
4	OCM	OCM	Bill Wilson Center	Transitional Housing Program for Youth-Aftercare Services
5	OCM	OCM	Community Services Agency of Mountain View and Los Altos	Integrated Senior Case Management
6	OCM	OCM	Community Solutions	Solutions to Violence
7	OCM	OCM	Emergency Housing Consortium (EHC LifeBuilders)	Boccardo Regional Center/Project Feed
8	OCM	OCM	Emergency Housing Consortium (EHC LifeBuilders)	Shelter and Support Services for South County Homeless
9	OCM	OCM	Family Supporting Housing, Inc.	San Jose Family Shelter
10	OCM	OCM	Gardner Family Health Network	Adult Day Health Care
11	OCM	OCM	Health Trust, The	Meals on Wheels
12	OCM	OCM	Indian Health Center	Coordinating Care for American Indian Elders
13	OCM	OCM	InnVision	Commercial Street Inn
14	OCM	OCM	InnVision	Family Place (Georgia Travis Center)
15	OCM	OCM	InnVision	Montgomery Street Inn
16	OCM	OCM	InnVision	Safe Haven II
17	OCM	OCM	Japanese American Community Center (Yu-Ai-Kai)	Minority Senior Service Providers Consortium
18	OCM	OCM	Live Oak Adult Day Services	Adult Day Care
19	OCM	OCM	Loaves and Fishes Family Kitchen	Loaves and Fishes Food and Nutrition Project
20	OCM	OCM	Next Door Solutions to Domestic Violence	Next Door Solutions to Domestic Violence
21	OCM	OCM	Outreach and Escort, Inc.	Senior Outreach Program
22	OCM	OCM	Respite and Research for Alzheimer's Disease	Alzheimer's Activity Center
23	OCM	OCM	Sacred Heart Community Service	Community Food Program
24	OCM	OCM	Senior Adults Legal Assistance (SALA)	Legal Assistance to Elders
25	OCM	OCM	St. Joseph's Family Center	Children & Family Services
26	OCM	OCM	St. Joseph's Family Center	Homeless Stabilization and Emergency Services
27	OCM	OCM	Sunnyvale Community Center	Comprehensive Emergency Assistance Program
28	OCM	OCM	Vietnamese Voluntary Foundation, Inc. (VIVO)	Vietnamese Elderly Consortium
29	OCM	OCM	West Valley Community Services, Inc.	Emergency Assistance Program
30	OCM	OCM	YWCA of Silicon Valley	Domestic Violence Program
31	OCM	OHR	Catholic Charities of Santa Clara County	Immigration Legal Services as Path to Citizenship
32	OCM	OHR	Catholic Charities of Santa Clara County	South County Citizenship Project
33	OCM	OHR	Center for Employment Training (CET)	Citizenship Services for Immigration Integration
34	OCM	OHR	Center for Employment Training (CET)	Immigration Legal Services as Path to Citizenship
35	OCM	OHR	Center for Employment Training (CET)	Legal Support for Citizenship
36	OCM	OHR	Collins, Franci	Immigrationinfo.org Website Maintenance

Contract and Program Monitoring

Attachment 5.4

	Compliance Monitor	Program Monitor	Agency	Program/Project Name
37	OCM	OHR	International Rescue Committee (IRC)	Immigration Legal Services
38	OCM	OHR	Sacred Heart Community Service	Immigrant Legal Services
39	OCM	OHR	Santa Clara County Asian Law Alliance (ALA)	GF/PII Citizenship Services
40	OCM	OHR	Santa Clara County Asian Law Alliance (ALA)	GF/PII Community Education and Civic Engagement
41	OCM	OHR	Santa Clara County Asian Law Alliance (ALA)	GF/PII Immigrant Legal Services as a Path to Citizenship
42	OCM	OHR	Santa Clara County Asian Law Alliance (ALA)	GF/PII Legal Support for Citizenship
43	OCM	OHR	Santa Clara University	Katharine and George Alexander Community Law Center-Legal Assistance to Immigrant Victims of Domestic Violence
44	OCM	OHR	Services, Immigrant Rights and Education and Network (SIREN)	Citizenship Services
45	OCM	OHR	Services, Immigrant Rights and Education and Network (SIREN)	Community Education and Civic Engagement
46	OCM	OHR	Services, Immigrant Rights and Education and Network (SIREN)	Immigrant Assistance Hotline
47	OCM	OCM	Advent Group Ministries	Step Up! Intensive Outpatient Program
48	OCM	OCM	Alum Rock Counseling Center	Child Abuse Prevention Case Management Services
49	OCM	OCM	Asian Americans for Community Involvement (AACI)	Youth After School Program
50	OCM	OCM	Bay Area Legal Aid	Legal Assistance to Low-Income Disabled Adults Project
51	OCM	OCM	Bill Wilson Center	24/7 Youth Safety Network
52	OCM	OCM	Bill Wilson Center	Centre Cares
53	OCM	OCM	Bill Wilson Center	Power Through Choices Pregnancy Prevention Education
54	OCM	OCM	Bill Wilson Center	YouthWORKS
55	OCM	OCM	Catholic Charities of Santa Clara County	A Positive Response to Healthcare
56	OCM	OCM	Catholic Charities of Santa Clara County	Day Break Caregiver Support Service
57	OCM	OCM	Catholic Charities of Santa Clara County	Family Services
58	OCM	OCM	Catholic Charities of Santa Clara County	Grandparent Caregiver Program/Kinship Resource Center
59	OCM	OCM	Catholic Charities of Santa Clara County	Leadership, Ethnic and Academic Pride (LEAP)
60	OCM	OCM	Catholic Charities of Santa Clara County	Steps Ahead
61	OCM	OCM	Community Health Awareness Council (CHAC)	Outlet Program
62	OCM	OCM	Community Health Awareness Council (CHAC)	Village Wellness Program
63	OCM	OCM	Deaf Counseling Advocacy and Referral Agency	Deaf for Self Sufficiency Program
64	OCM	OCM	Deaf Counseling Advocacy and Referral Agency	Family Connections Program
65	OCM	OCM	Family & Children Services	Families and School Together (FAST) Program
66	OCM	OCM	Fresh Lifelines for Youth, Inc. (FLY)	Legal Eagle Program
67	OCM	OCM	Fresh Lifelines for Youth, Inc. (FLY)	South County Project
68	OCM	OCM	Health Trust, The	Case Management Services for HOPWA Clients

Contract and Program Monitoring

Attachment 5.4

	Compliance Monitor	Program Monitor	Agency	Program/Project Name
69	OCM	OCM	Health Trust, The	Family Health Insurance Program
70	OCM	OCM	Mexican American Community Services Agency, Inc. (MACSA)	Zero Drop Out Youth Academy
71	OCM	OCM	Parents Helping Parents, Inc.	iTECH Center
72	OCM	OCM	Sacred Heart Community Service	Families First
73	OCM	OCM	Santa Clara Unified School District	Skills Plus Program
74	OCM	OCM	Second Start Learning Disabilities Program, Inc.	Newton Program
75	OCM	OCM	Vista Center for the Blind and Visually Impaired	Vision Loss Rehabilitation Services
76	OCM	OCM	YWCA of Silicon Valley	Youth Wellness Program
77	OCM	OCM	Alum Rock Counseling Center	Community Access to Prevention Activities
78	OCM	OCM	Bill Wilson Center	Parent Child Interactive Therapy
79	OCM	OCM	Bill Wilson Center	Children of Transitional Age Parenting Youth
80	OCM	OCM	Catholic Charities of Santa Clara County	Successful Parenting Program
81	OCM	OCM	Catholic Charities of Santa Clara County	Steps Ahead Program
82	OCM	OCM	Community Health Awareness Council (CHAC)	Child Abuse Prevention Program
83	OCM	OCM	Family & Children Services	Nurturing Parenting Program
84	OCM	OCM	Girl Scouts of Northern California	Migrant Prevention Program
85	OCM	OCM	International Children Assistance Network (ICAN)	Happy 5
86	OCM	OCM	Parents Helping Parents, Inc.	Child Abuse Prevention Program
87	OCM	OCM	Pathway Society, Inc.	Pathway to Family Wellness
88	OCM	OCM	Rebekah Children's Services	Healthy Families Program
89	OCM	OCM	Sacred Heart Community Service	Una Vida Mejor para Mi Familia
90	OCM	OCM	San Jose Grail Family Services	Birth and Beyond Family Empowerment
91	OCM	OCM	Kathleen Dong	Child Abuse Coordinator
92	OCM	DEBS	Paula Chaffee	Psychological Evaluator
93	OCM	DEBS	George Rios	General Assistance Hearing Officer
94	OCM	DAAS	Council on Aging	AAA Program match
95	OCM	DAAS	Council on Aging	IHSS Public Authority
96	OCM	DAAS	Crittenden, Anne Marie	APS Intern
97	OCM	DAAS	Jakl, Sara Elizabeth	APS Intern
98	OCM	DAAS	Whalem, Latorr	APS Intern
99	OCM	DAAS	Silicon Valley Elder Law	Fiduciary Estate Planning and Tax & Trust Training and Consulting
100	OCM	DAAS	Analytic Insight	Senior Agenda Facilitator
101	OCM	DAAS	Next Door Solutions to Domestic Violence	After hours and Weekend Adult Protective Svcs
102	OCM	DAAS	American Medical Response	Non-emergency transportation
103	OCM	IS	California State Association of Counties	Welfare Client Data Systems Management (WCDS)
104	OCM	IS	Ciber, Inc	Temporary IT Staffing
105	OCM	IS	Nexus, IS	CISCO Unified Communications and Contact Center Project
106	OCM	FMS	Vargas & Company	Audit Services
107	OCM	IS	HP/EDS	CalWin Development, Implementation, Oper.
108	OCM	IS	ESG Consulting Inc.	Temporary IT Staffing

Contract and Program Monitoring**Attachment 5.4**

	Compliance Monitor	Program Monitor	Agency	Program/Project Name
109	OCM	IS	Infoyogi LLC	Temporary IT Staffing
110	OCM	IS	Ciber, Inc	CCS DW Enhancement
111	OCM	IS	First Data Government	Mgmt of CalWIN
112	OCM	CalWIN	BIT California LLC	CalWIN Printing/Printing & Mailing FY12
113	OCM	DAAS	Sililcon Valley Independent Living Center	Independent Living Training

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Part III:
**Opportunities to Improve Efficiency of
Technology Services and Project Planning**

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Section 6. Improving Information Technology Project Planning and Management

- **The County of Santa Clara’s Social Services Agency spends millions of dollars annually on information systems. Its Information Services (IS) Division operates and maintains information systems, project management, helpdesk and technical field support, applications and business intelligence, network and telecommunication support, system engineering support, and systems security for the entire Agency. In FY 2010-11, IS’ Project Management Office (PMO) spent \$3.1 million on new technology-related projects. These expenditures are likely to continue into the future based on actual project costs in prior years.**
- **Despite the millions of dollars at stake, technology-related projects administered by the PMO are currently carried out without the benefit of a strategic technology plan, without knowledge of total project costs (namely IS staffing costs), and without collaboration on project prioritization amongst the Social Services Agency’s Department of Adult and Aging Services (DAAS), Department of Employment and Benefits Services (DEBS), and Department of Family and Children’s Services (DFCS), collectively known as the client departments. It is important to note that project prioritization occurs within client departments, but not across the entire Agency.**
- **While it is difficult to quantify how these inefficiencies have impacted its operations, the Social Services Agency should from this point forward adopt a strategic technology plan and create an IT steering committee, in order to improve the allocation of technology resources to effectively and efficiently meet the Agency’s needs. It should also include internal staffing costs as a part of total project costs. This would better inform decision-making with respect to project prioritization and implementation.**

Information Services and the Project Management Office

The Information Services (IS) Division is responsible for operating and maintaining information systems, project management, helpdesk and technical field support, applications and business intelligence, network and telecommunication support, system engineering support, and systems security for the entire Agency, including the three client departments. Information Services is also responsible for purchasing, storage and deployment of equipment, including phones, computers and servers.

In FY 2010-11, IS spent a total of \$18.2 million. Of this amount, \$3.1 million was spent by its Project Management Office (PMO) on new technology-related projects. Funding for these projects came from various sources, including the U.S. Department of Health and

Human Services, State program revenue (e.g., Medi-Cal, CalWORKS, IHSS, etc.), and SSA-obtained grants.

How Project Management Works

To initiate a project, a member of the Agency's Executive Management (i.e., the Executive Director, department heads, and/or their direct reports) communicates a department's request to a member of the Leadership Team (i.e., the IS manager and his/her direct reports). The Leadership Team assesses the business need for the project and the project's viability according to the following four criteria: importance; resource availability; time commitment/schedule; and, risk level.

If the project is approved, the PMO assigns a project manager to the project and the project manager sets the status of the project to "active" in the department's Project Portfolio.¹ The project manager authors the Project Charter² and presents this document to the Leadership Team. If the project is approved a second time, the project manager presents the Charter to the requesting Executive Management for approval. If the Charter is approved, the project manager sets the project's status to "launch" and completes the required project documentation.³ The Project Plan is perhaps the most important of all. It explains in detail how and when to fulfill the project objectives by showing the major tasks, timelines, and resources required on the project. It also serves as a tracking tool to measure the project's progress.

Using the Project Plan as a template, the project manager deploys project resources accordingly. Once the project is completed and tested, the project manager initiates project escalation to "implementation" and trainers from the Agency's Staff Development and Training develop a training curriculum and materials. They also schedule end users into classes. Once the staff is trained, the project manager sets the project's status to "go-live." The last step in this process occurs when the project manager accesses the project's success and authors an evaluation of the project, which incorporates any lessons learned.

No Strategic Technology Plan

Simply put, a strategic technology plan identifies where an organization wants to be in the future with regard to technology and specifies the projects that it plans to implement to get there. The plan has many different uses, but its primary purpose is to align technologies with the organization's objectives.

¹ The Portfolio includes project titles, stakeholders, timelines, project statuses, priority rankings, progress updates, and corrective actions.

² The Charter is the scope, objectives, success criteria, costs, major risks, milestones, and stakeholders of a project. It also establishes authority for the project manager.

³ This may include the Project Plan, Issue/Risk/Action Logs, signed-off Business Requirements Document, Functional Design Document, Communication Plan, Implementation Plan, and updated Project Charter (if required).

The Social Services Agency does not currently have a strategic technology plan, though, according to the County's Information Services Department, most other County departments operate similarly. The Auditors cannot discern how this has impacted SSA. Several IS staff interviewed for the audit withheld judgment on whether the Agency's objectives have always been served by the implementation of projects in the past. However, most interviewees suggested that SSA should have a strategic technology plan, and that this plan should be crafted by the Agency's Executive Office, with input from and collaboration between IS and the three service departments. The Auditors concur.

Implementation of this recommendation will enable SSA to evaluate any given project against the plan, and ensure that it is optimized to achieve the Agency's objectives from this point forward.

Total Project Costs are Unknown

The Social Services Agency spends on IT projects in three broad categories: 1) internal staffing; 2) equipment; and 3) professional services.

The last two items are captured in the Advance Planning Document (APD) process. Because the State and U.S. Department of Health and Human Services fund all SSA's technology-related purchases (i.e., equipment and professional services), IS is required to submit a written request, or APD, for each technology-related purchase. A review of a sample of these forms revealed that APDs indeed specify all of the costs for goods and services to be purchased.

However, internal staffing costs on projects are assumed to be zero, because, according to IS staff, they are already accounted for in the Agency's budget. They explained that this does not mean there is no cost. Rather, it assumes there are no incremental costs over and above what the Agency is already paying for.

Technically speaking, this is true and would appear unarguable, but this approach almost always favors the implementation of a project, but only by accounting for some of its costs, and not others. Also, it almost always reveals a net gain for a project that is implemented, but only by comparing a portion of its costs to all of its associated benefits.

The Auditors believe a more reasoned approach to deciding whether to initiate a project and for determining a project's return on its investment requires a calculation of total costs, including internal staff costs.

Implementation of this recommendation would require a significant number of SSA staff to record time spent on projects. They range from project managers and business leads to network and systems engineers to staff development trainers. However, this may be relatively easy to accomplish, since "Time Studies" are already SSA's official method of recording staff time spent on all activities, in order charge against corresponding State programs.

Project Governance is Lacking

There is no Agency-wide means to prioritize IT projects that includes the three client departments. Instead, each department prioritizes its own project requests and IS implements them in accordance with the project management process described above.

However, IS cannot implement all projects at once because its resources are limited, and because departmental employees are not privy to IS' internal process of prioritizing projects, they become frustrated when they see another department's projects proceeding toward completion, while theirs are still waiting to be started.

To address this issue, SSA should establish an IT steering committee to make project prioritization recommendations to the Agency's Executive Management. At a minimum, this committee should consist of the IS manager, the PMO manager and the three department heads. They should agree on a set of criteria for valuing projects in order to prioritize them. Decisions about project prioritization based on these criteria will likely be more acceptable to the departments if the criteria have been developed with the input of staff from within the departments.

Implementation of this recommendation would provide a transparent process for the prioritization of IT projects across the entire Agency.

CONCLUSION

Based on its level of spending in prior years, the Social Services Agency is likely to continue to spend millions of dollars annually on information systems in future years. Nevertheless, IT projects at SSA are currently carried out without the benefit of a strategic technology plan, without knowledge of total project costs (namely IS staffing costs), and without collaboration on project prioritization amongst the three client departments. While it is difficult to quantify how these inefficiencies have impacted its operations, the Agency should address them immediately to ensure that IT projects are leveraged to achieve the Agency's mission and objectives and to optimize day-to-day operations.

RECOMMENDATIONS

The Social Services Agency should:

- 6.1 Adopt a strategic technology plan, in order to better align technologies and projects with the Agency's mission and objectives. (Priority 2)
- 6.2 Include internal staffing costs when calculating total project costs, in order to better inform decision-making with respect to project prioritization and implementation. (Priority 2)

- 6.3 Create an IT steering committee to make project prioritization recommendations to the Agency's Executive Management. (Priority 2)

SAVINGS, BENEFITS AND COSTS

Implementation of these recommendations would not result in any budget savings (to the County's General Fund or otherwise). However, implementation of Recommendations 6.1 and 6.3 would improve the allocation of technology resources to effectively meet the Agency's needs, while implementation of Recommendation 6.2 would result in better overall decision-making with respect to project prioritization and implementation.

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Section 7. Consolidating SSA CalWIN and Information Services

- **The County of Santa Clara’s Social Services Agency (SSA) is part of a consortium of 18 counties that collectively develop and operate a Social Services benefits administration system known as CalWIN. The division consists of application and triage support (operating as a helpdesk), program analysis and support, and decision support and research.**
- **Santa Clara is one of only two counties in the consortium with a stand-alone CalWIN Division, comprised of both IT and program units. Most other counties operate their CalWIN systems out of either their IT or program units, with collaboration between the two units.**
- **The CalWIN Division’s helpdesk is in addition to the separate helpdesk operated by the Information Services Division of the Social Services Agency. The two helpdesks support different systems, but they perform similar duties.**
- **In addition, the CalWIN Division includes functions that are more in line with other Agency operations. For example, the Program Analysis and Support Bureau previously resided within the Department of Employment and Benefit Services (DEBS). These staff were intended to assist with the implementation of CalWIN and create a central focus for CalWIN programs and activities, but whether they would return to DEBS was deliberately left undecided by SSA management. Continued housing of those functions in CalWIN reduces organizational efficiency, and has resulted in the hiring of additional management.**
- **The operation of two separate helpdesks for one agency has resulted in excessive staffing in that there are two managers, and 25 line staff. By combining the two desks, the Agency could eliminate one manager position and three line positions for a savings of approximately \$560,000. In addition, Auditors recommend reorganizing portions of the CalWIN unit within SSA to improve organizational efficiency, and reducing a Management Analyst position, for an additional savings of approximately \$130,000 per year.**

History and Purpose of CalWIN

Federal law requires all states to develop statewide automated welfare systems, and in October 1997, California opted to meet this requirement by mandating all 58 counties join one of four consortia for automated welfare systems. The County of Santa Clara joined the

Welfare Client Data Systems (WCDS) Consortium¹ to develop the CalWORKS Information Network (CalWIN). CalWIN is a replacement for various legacy systems using very old technology and paper-based processes.

The County of Santa Clara implemented CalWIN in June 2005. Today CalWIN processes welfare and employment services for over 100,000 families and is used by 1,800 users on a daily basis. These include SSA eligibility workers and supervisors, CalWIN managers and analysts, and some external partners (with access to Web Inquiry only). CalWIN handles CalWORKS, Medi-Cal, Food Stamps, Foster Care, Refugee Cash Assistance (RCA), Cash Assistance Program for Immigrants (CAPI) and General Assistance (GA) programs. It is a “one-stop” process for evaluating potential recipients’ needs and eligibility for services.

CalWIN Division Organization

The CalWIN Division consists of three bureaus: 1) CalWIN Application and Triage Support (CATS); 2) Program Analysis and Support (PAS); and, 3) Decision Support and Research (DSR).

By way of background, in January 2007, the then Director of SSA reorganized existing Agency offices to form the CalWIN Division. While CATS was an entirely new unit, PAS and DSR existed with the Agency’s Department of Employment and Benefit Services (DEBS) before they were merged into the CalWIN Division. The purpose of the reorganization appears to have been twofold. First, it was intended to expedite the implementation of CalWIN, as demonstrated in a January 19, 2007 memorandum from the SSA Director to staff, where he states:

“The changed structures is [sic] needed at this time because implementation of CalWIN in our county is not yet complete, and in my judgment won’t be complete while we are trying to plan and operate across multiple program silos.”

Second, the reorganization reflected the SSA Director’s belief that CalWIN was not simply a tool. Rather it was the Agency’s “new way of life,” requiring staff to center policy, business and staff development on it. However, whether the CalWIN Division would continue to exist as reorganized beyond the initial establishment of the application is an open question. In the subject memo, with respect to the CalWIN Division, the Director advises staff, *“At the same time, it is evolutionary, and as our knowledge basis [sic] grows we will undoubtedly keep refining the structure and where it is placed.”* Attachment 7.1 to this report is the January 19, 2007 memorandum from the Director of SSA to staff regarding the creation of the CalWIN Division.

¹ The WCDS Consortium consists of 18 counties: Alameda, Contra Costa, Fresno, Orange, Placer, Sacramento, San Diego, San Francisco, San Luis Obispo, San Mateo, Santa Clara, Santa Barbara, Santa Cruz, Solano, Sonoma, Tulare, Yolo and Ventura.

Organizational Placement of CalWIN in Other Jurisdictions

Table 7.1 shows the location of the CalWIN application and its support staff at other CalWIN counties. As shown, , most counties operate their CalWIN systems out of their Information Technology (IT) or Employment & Eligibility (Program) units, but they work together to run their systems. This is explained by two factors: 1) the need for technical expertise to solve complex software application problems; and, 2) the need for knowledge of welfare programs and their requirements to accurately access client eligibility.

Like Santa Clara, San Luis Obispo has a stand-alone CalWIN division, which is comprised of both IT and Program staff. However, unlike Santa Clara, San Luis Obispo’s IT staff serves its entire agency, not only its CalWIN division. In Santa Clara, a separate Information Services (IS) Division is responsible for serving the entire Social Services Agency. The two functions are described in more detail below.

Table 7.1

Location of CalWIN Application & Support¹

County	CalWIN Division	Information Technology	Employment & Eligibility
Alameda		✓	
Fresno		✓	
Orange		✓	
Placer		✓	
San Diego	✓	✓	✓
San Francisco	✓	✓	
San Luis Obispo	✓		
San Mateo		✓	
Santa Barbara			✓
Santa Clara	✓		
Santa Cruz		✓	
Solano		✓	
Ventura			✓
Yolo			✓

Source: Auditors' Survey of WCDS Consortium Counties

¹ The counties of Contra Costa, Sacramento, Sonoma and Tulare did not respond to the survey.

Attachment 7.2 provides additional detail about the locations of the CalWIN application and support in counties of the WCDS Consortium that responded to the Auditors’ survey.

CalWIN Application and Triage Support (CATS) Bureau

Like its name suggests, CATS' prime responsibility is responding to requests for support from end users of the CalWIN application (from here on referred to as tickets) and it triages tickets on the basis of where they can best be resolved.

As discussed later, some tickets are resolved by CATS, others are resolved by CATS with outside assistance, while still others are escalated to and resolved by the IT architecture company Hewlett Packard.²

CATS has other functions too. It provides set-up, administration and access to the CalWIN application as well as to its automated interfaces with three State systems: 1) EBT (Electronic Benefit Transfer), 2) MEDS (the Medi-Cal database), and 3) SFIS (Statewide Fingerprint Imaging System).

It creates and/or provides expertise for CalWIN announcements, urgent workarounds, major and minor software releases, communications to end users, outage notifications, and security administration and registration for CalWIN as well as EBT, MEDS, and SFIS.

Finally, CATS participates in various WCDS Consortium-level committees and workgroups whose purposes are to ensure that any changes to the CalWIN application are designed, developed, tested and implemented so as to meet the policy and business needs of the Agency, and are compliant with relevant Federal, State, and local laws, policies and regulations.

Currently CATS staffing consists of a manager and eight Application and Decision Support Specialist II positions.

From January 1, 2011 through November 23, 2011, CATS processed³ 6,828 Helpdesk tickets. At this rate, CATS processed an estimated 7,536 tickets in 2011, or 942 tickets per line staff. The types of tickets processed varied. Table 7.2 shows these tickets by major request area.

Agency Helpdesk

Like CATS, the Agency Helpdesk & Tech Field Support (the "Agency Helpdesk") within SSA's Information Services Division manages and resolves requests for end user support. However, unlike CATS, this helpdesk handles software and hardware issues and is responsible for supporting a variety of other State and County systems for departments

² The CalWIN application was originally purchased by the WCDS Consortium from EDS. In May 2008, HP bought EDS and assumed responsibility for CalWIN. Today HP provides application support, software maintenance, system hosting, and network infrastructure support.

³ For the purposes of this analysis, the term "processed" refers to the action of taking tickets from initial assignment through research and analysis to final resolution.

within SSA, including, for instance, the Child Welfare System/Case Management System (CWS/CMS) and Case Management Information Payrolling System (CMIPS).

The Agency Helpdesk consists of a manager, a management analyst, and 16 Information Systems Technician (IST) II & III positions. Of the 16 IST positions, eight are dedicated to tech field support, and eight are assigned to the helpdesk. The latter processed 18,833 Helpdesk tickets during the aforementioned 11-month period, or an estimated 20,787 in 2011, or 2,598 per line staff. Table 7.2 on the following page shows these tickets by major request area.

Similarity of Agency Helpdesk and CalWIN Helpdesk Functions

While the Agency Helpdesk does not support the CalWIN system per se, its staff answers the same technical calls about other software applications and performs similar duties to CATS.

For example, as shown in Table 7.2, the highest number of tickets processed by the Agency Helpdesk (6,474) was in the request area of “User Account Management” (i.e., adding/removing user accounts, assigning/changing user passwords, limiting/increasing user access, etc.). This area contained the second highest number of tickets processed by CATS (2,111).

Meanwhile, the highest number of tickets processed by CATS (3,991) was in the area of “County Systems.” For CATS, this area is a catch-all for any problems relating to CalWIN. Knowledgeable staff advised us that most tickets in this area involve user “how-to” questions and errors. This area contained the fifth highest number of tickets processed by the Agency Helpdesk (1,058). Most tickets, here, also involved user questions and errors, but relating to many software applications, as the Agency Helpdesk supports a variety of other State and County systems for departments within SSA.

Table 7.2
Helpdesk Tickets by Request Area
1/1/2011 – 11/23/2011

CATS		Agency Helpdesk	
Request Area	# Tickets	Request Area	# Tickets
County Systems	3,991	User Account Management	6,474
User Account Management	2,111	Software	5,382
Projects	450	Hardware	2,408
<Blank> ¹	134	Voice Communication	2,031
Reports	106	County Systems	1,058
Screenshot	24	<Blank> ¹	814
Software	4	Networks	372
Hardware	3	Reports	117
Security	3	Screenshot	73
Database	1	Security	70
Networks	1	Database	17
TOTAL	6,828	Intranet Publishing	11
Source: SSA Information Services Division		NSM	5
¹ Indicates that line staff did not input a request area.		Projects	1
		TOTAL	18,833
		Source: SSA Information Services Division	
		¹ Indicates that line staff did not input a request area.	

CATS Triage & Ticket Escalation

Tickets vary not only by request area but also by expertise and resources required to resolve them. This is why CATS triages tickets, and they can be organized into the following categories: those resolved by CATS; those resolved by CATS but requiring assistance from the MEDS and SFIS Helpdesks; and, those escalated to and resolved by HP.

Table 7.3 shows the estimated annual number of tickets in each of these categories based on the data for the first 11 months of the year.

According to CATS staff, tickets that are resolved by CATS primarily involve user errors. For example, a user may inadvertently input incorrect data into the CalWIN system and receive an unexpected result when determining a client’s benefit amount. Tickets that go to the MEDS and SFIS Helpdesks are almost always for password resets. Tickets that are escalated to HP involve complex software application problems that may require changes to the CalWIN system. In which case, HP researches the tickets to determine whether the application is “functioning as designed” or is defective in some way and needs to be fixed.

Table 7.3

**Estimated 2011 Tickets Resolved by CATS
or Sent to Vendor/Other Helpdesks**

	Tickets
CATS	5,670
Hewlett Packard	929
MEDS	913
SFIS	24
TOTAL	7,536

Source: Projected from 11 months of SSA Information Services Division data

Ticket Processing Time Varies Between the Two Help Desks

By way of comparison, we also annualized the number of tickets processed by the Agency Helpdesk during the same 11-month period. This yielded 20,787 tickets per year.

Using these annualized figures, we determined that on average one CATS line staff processes 3.8 tickets per day (based on 250 work days per year), while one Agency Helpdesk line staff processes 10.4 tickets per day. A portion of this difference is due to the fact that tickets sent to HP take longer to process since they require both up-front and back-end work by CATS. However, those tickets make up only about 12 percent of all of the unit's tickets. The remaining tickets, as previously shown in Table 7.2, are very similar to the tickets handled by the Agency Helpdesk, which are processed at a rate of 10.4 per staff per day. Given this, it appears that the non-HP tickets processed by CATS could be processed at a rate of about ten per day.

At that rate, only 2.2 full time equivalent (FTE) staff are required to process tickets resolved by CATS, 1.0 FTE for tickets sent to HP, 1.0 FTE for tickets sent to MEDS, and 0.03 FTE for tickets sent to SFIS. Taken together, a total of 4.2 FTE are required to process all tickets in any given year, or 3.8 FTEs less than 8.0 FTEs currently budgeted.

The Social Services Agency should merge CATS into the Agency Helpdesk and eliminate one Application and Decision Support Manager, and three Application and Decision Support Specialist II positions in CATS. Note the Auditors recognize that CATS performs other non-Helpdesk duties, and therefore, we recommend a reduction of three FTE, not the full 3.8 FTE identified above. These recommendations would generate ongoing, non-General Funding savings of \$560,460 per year.

The Agency should also ask for a reclassification study by the County's Employee Services Agency to address the salary disparity between the Application and Decision Support Specialist II positions in CATS and the Information Systems Technician II & III positions at the Agency Helpdesk. The study's goal would be to set a standardized salary rate.

Program Analysis and Support (PAS) Bureau

PAS' prime responsibility is managing complex projects and assignments for welfare and employment services programs administered by DEBS (e.g., CalWORKS, CalFresh, Foster Care, General Assistance, Welfare to Work, etc.).

In addition, PAS analyzes program policies and regulations set forth by the State in order to provide guidance to SSA staff, and it represents SSA as part of WCDS Consortium by participating in its committees and workgroups to ensure that CalWIN meets the Agency's policy and business needs. Recall the CATS Bureau participates in such committees and workgroups too.

The Auditors recommend relocating PAS to the Agency's Department of Employment and Benefit (DEBS) for at least two reasons.

First, relocating PAS to DEBS would improve operational efficiency. Recall that PAS' prime responsibility is to DEBS, not CalWIN. Therefore, by removing the organizational barrier that separates PAS and DEBS, the two groups will be able to interface better and work more closely on programs they are both assigned to. Relocating PAS to DEBS could also speed up welfare and employment programs services to clients.

Second, as discussed earlier, PAS previously resided in DEBS. The then SSA Director moved these staff to the CalWIN Division to expedite implementation of CalWIN, and create a central focus for CalWIN program and activities. Based on the aforementioned memo alone, the Auditors cannot discern whether the SSA Director intended for staff to return to DEBS once CalWIN was implemented. However, several DEBS managers who were around at the time of the creation of the CalWIN Division advised us that they expected PAS staff to return to DEBS once CalWIN was implemented.

As of December 2011, PAS consisted of two managers (both of whom were Application and Decision Support Managers) that supervised 14 staff, including one management analyst, two clerical staff and 11 Application and Decision Support Specialist (ADSS) II positions.

The Management Audit Division intended to recommend a reduction in the number of PAS managers from two to one, because, according to PAS staff, prior to CalWIN, when PAS resided in DEBS, one manager supervised the entire bureau, which at that time consisted of the same number of 14 staff. However, we were precluded from making this recommendation because on or near December 31, 2011, one of the two PAS managers retired and CalWIN management redeployed the vacated position to oversee the Decision Support and Research (DSR) Bureau described below. In a memorandum dated March 6,

2012, SSA management advised us that they intend to reclassify and redeploy the position formerly overseeing DSR to the Staff Development and Training Division. Moreover, a MAPM II position from Staff Development and Training has already been redeployed to the Office of Contracts Management (OCM), which created a vacancy in a Management Analyst position within OCM. SSA management advises that they intend to redeploy the vacated Management Analyst position to the CalWIN Division. Though this Management Analyst position is not meant to be an equal exchange for the originally redeployed PAS manager position, SSA management did not substantiate the CalWIN Division's need for a Management Analyst. Therefore, it would appear to be an unwarranted addition of staff. Given this, the Auditors recommend eliminating the subject Management Analyst position. Implementation of this recommendation would generate ongoing, non-General Fund savings of \$128,484 per year. Attachment 7.3 is the subject March 6, 2012 memorandum from SSA's Deputy Director of Operational Services to the Auditors regarding these position reclassifications and redeployments.

Decision Support and Research (DSR) Bureau

DSR's prime responsibility is providing analytical information and compiled reports from various data sources to SSA administration, the client departments (primarily DEBS) and the members of their communities to ensure timely and accurate reporting to meet local, State and Federal requirements. DSR also prepares standard and ad hoc reports for performance measures, and provides case, client and geographical mapping data. The Management Audit Division recommends relocating DSR to DEBS for almost exactly the same reasons that PAS should be moved to DEBS. First, DSR's main client is DEBS, not the CalWIN Division. Second, DSR previously resided in DEBS, until the then SSA Director moved DSR to the newly-created CalWIN Division as part of the reorganization described earlier. According to DEBS management, the Director included DSR in the reorganization to ensure timely and accurate reporting during the transition from the old legacy systems and paper based processes to CalWIN. While this recommendation does not have any fiscal impact, its implementation would increase operational efficiency, and strengthen responsibilities and reporting lines.

CONCLUSION

The County of Santa Clara Social Services Agency supports its Social Services benefits administration system (CalWIN) with a stand-alone CalWIN division, while most other counties surveyed operate their systems out of either their IT or program units, with collaboration between the two units. Santa Clara's structure has led to operational inefficiencies and duplication, including, for example, two helpdesks that support different systems, but they perform similar duties, CalWIN division functions that are more in line with other Agency operations, and excessive staffing at the managerial levels.

RECOMMENDATIONS

The Social Services Agency should:

- 7.1 Merge the CalWIN Application and Triage Support (CATS) Bureau into the Agency Helpdesk, under one manager, thus reducing one management position. (Priority 2)
- 7.2 Reduce the number of CalWIN Application and Triage Support (CATS) staff from eight to five, to better align this group with its actual workload. (Priority 1)
- 7.3 Request a reclassification study by the County's Employee Services Agency to set a standardized salary rate for employees of the merged CalWIN Application and Triage Support (CATS) and Agency Helpdesk. (Priority 3)
- 7.4 Relocate the Program Analysis and Support (PAS) Bureau and the Decision Support and Research (DSR) Bureau to the Agency's Department of Employment and Benefit Services in order to strengthen responsibilities and reporting lines. (Priority 3)
- 7.5 Eliminate the Management Analyst position presently located in the Office of Contracts Management, but which will be redeployed to CalWIN in the near future (per the Deputy Director of Operational Services' advice to the Auditors). The need for this position has not been demonstrated. (Priority 2)

SAVINGS, BENEFITS AND COSTS

Annual budget savings associated with the above-noted recommendations total \$688,944. Implementation of Recommendations 7.1 and 7.2 would reduce four staff, resulting in ongoing, non-General Fund savings of approximately \$560,000 per year. In addition, it would improve operational efficiency by consolidating like functions. Implementation of Recommendation 7.3 by itself would not result in increases/decreases in expenditures/revenues. However, reclassification of positions could result in significant, but yet unknown ongoing, non-General Fund costs or savings. Recommendations 7.4 and 7.5 would result in ongoing, non-General Fund savings of approximately \$130,000 per year. In addition, these changes would also improve the effectiveness of the unit.

County of Santa Clara
Social Services Agency



1881 West Julian Street
San Jose, California 95110-9233

January 19, 2007

TO: CalWIN Team Leaders
Raul Aldana
Tomas Dolcini
Nancy Likins
CalWIN Council
Sandra Dalda
Rosemary Sempres/Mary Shamouel (1/22/07)
Jan Picolorich
Alette Lundeborg
Gina Sessions
Umesh Pol

FROM: Will Lightbourne *WLL*

SUBJECT: CalWIN 2007

As you know either directly or through your executive manager, I am creating a new reporting structure for the groups directly working on CalWIN, and a coordination structure for the divisions that have either a dependency or a support function. The changed structures is needed at this time because implementation of CalWIN in our county is not yet complete, and in my judgment won't be complete while we are trying to plan and operate across multiple program silos. <

The structure being put in place is, necessarily, a form of "matrix" management. That is, some of the units going into the new division to focus on CalWIN also have continuing non-CalWIN responsibilities, and in fulfilling those non-CalWIN functions will be accountable to other divisions and departments. I am looking to real collegiality and collaboration among division and department heads to make this work and to not put managers into impossible conflicts. Since the CalWIN division will be reporting to me in the Agency Office, I will insist on that collaboration.

The CalWIN division will be headed by Umesh Pol. The units going into the division will be the CATS/Help Desk on a 100% basis, headed by Nancy Likins, the Program bureau headed by Tomas Dolcini and the Decision Support Research bureau headed by Raul Aldana. Both Program and DSR have preexisting non-CalWIN assignments in support of DEBS that must be continued, and will undoubtedly need to take on other

Board of Supervisors: Donald P. Gage, Blanca Alvarado, Pete McHugh, Ken Yeager, Liz Kriss
County Executive: Peter Kuras, Jr.



such assignments. Such assignments will be produced for the originating source, but as indicated above I will be looking to close collaboration at the Council level and with other department heads to ensure that assignments are prioritized on a reasonable basis, and do not take away from the central task at hand – completing CalWIN implementation. Reporting for purely administrative purposes will be within the division, to Umesh.

Interdivisional/departamental coordination will be the responsibility of a CalWIN Council composed of Umesh, and the heads of Fiscal division (Sandra Dalida), IT division (Mary Shamouel after 1/22/07), the Benefit and Employment administrators from DEBS (Jan Picolorich and Alette Lundeborg), and the Development and Operational Planning division head (Gina Sessions). The Council members will be responsible for:

- communicating the operational needs of DEBS and Fiscal for instructions in use and improvement of applications to the CalWIN division.
- helping prioritize competing demands.
- providing needed non-dedicated support (fiscal subsystem analysis, management report structuring, training staff time)
- ensuring that there is full and timely implementation at the operational level of instructions and improvements provided by the CalWIN division, and accountability for increasing familiarity.

An abbreviated organizational chart to illustrate the structure and relationships is attached.

The principal goals for the new CalWIN structure in the first year are:

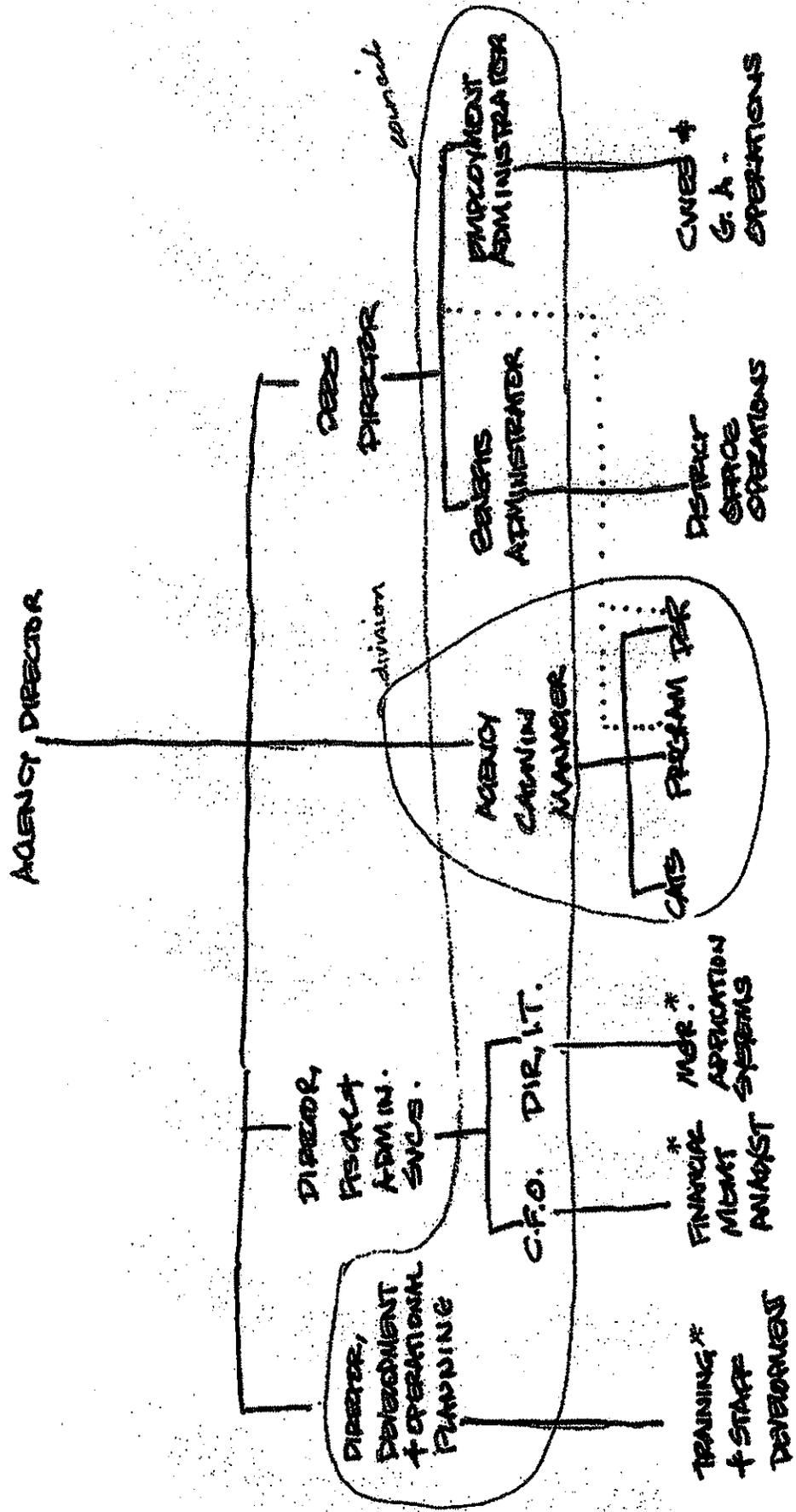
1. Getting end-user staff (DEBS district and employment offices, Staff Development, Foster Care eligibility, and Fiscal) completely familiar with the application. A key indicator of this will be a significant reduction in non-system issuance and fiscal reporting errors.
2. Getting to full utilization of the system management reporting capacity.
3. Effective preparation for and integration of the coming major releases.
4. Ensure better bridging and communication with end-users, with a particular focus on being sure that reported end-user problems are really resolved.

I really want to emphasize that we are not moving to this new structure because anyone hasn't been diligent in doing his or her jobs, or as a temporary fix. It is, I think, an overdue evolution in recognizing that for more than half of our agency, CalWIN is not a "tool", it is really our new way of life, and we need to center our policy development/business development/staff development agendas and activities on it. At the same time, it is evolutionary, and as our knowledge basis grows we will undoubtedly keep refining the structure and where it is placed.

Please let me know whatever questions or concerns this raises for you. I may not be able to fully answer or allay them, but I will be mindful of them as we move forward.

c: Kathy Buckovetz
Onita Spake

CAWIN 2007 - DIVISION & COUNCIL



* non-dedicated support functions

WCDS Consortium

LOCATION OF CALWIN APPLICATION AND SUPPORT¹

Dec-2011

County	Name of agency	Date CalWIN implemented	Location of CalWIN application & support		Notes
			<i>Department</i>	<i>Division, Section or Unit</i>	
Alameda	Social Services Agency	December-05	Administration & Information Services	Information Services	
Fresno	Department of Social Services	July-06	Administration	Information Technology	
Orange	Social Services Agency	February-06	Administrative Services	Information Technology	
Placer	Department of Health & Human Services	January-05	Human Services	Information Technology	
San Diego	Health & Human Services Agency	June-06	Two departments: Strategic Planning & Operational Support, and Information Technology	Automation	Automation is the go-between for the two departments.
San Francisco	Human Services Agency	November-05	Administration	Information Technology	
San Luis Obispo	Department of Social Services	May-06	Participant Services		Participant Services is a stand-alone CalWIN division.
San Mateo	Human Services Agency	October-05	Business Systems Group (BSG)		BSG is Information Technology.
Santa Barbara	Department of Social Services	March-06	Client Services & Benefits	Program Development & Support	
Santa Clara	Social Services Agency	June-05	Operational Services	Stand-alone CalWIN Division	
Santa Cruz	Human Services Department	May-05	Administrative Services	Information Technology	
Solano	Health & Social Services Department	July-05	Employment & Eligibility Services		
Ventura	Human Services Agency	April-06	Transitional Assistance		Transitional Assistance consists of employment/eligibility services.
Yolo	Department of Employment & Social Services	May-05	Employment & Transitional Services (ETS)		ETS consists of employment/eligibility services.

Source: Auditors' Survey of WCDS Consortium Counties

¹ The counties of Contra Costa, Sacramento, Sonoma and Tulare did not respond to the survey.

To: HMRA

From: SSA Deputy Director Operations

Date: 3/6/2012

RE: Changes within DOPs, CalWIN and OCM since the HRM audit of the Administrative Services

During the time frame of August 2011 and March 2012 in which the HMRA auditors were engaged with SSA, a number of changes occurred in staffing that created urgency for management decisions to occur. These decisions were based on requirements of the MERIT System Rules and organizational need.

There was not one single event, but rather a series of events that are quite usual in the life of a complex organization. These event often need to be responded to in a timely manner to assure that organizational work is done. Many factors in various DOPS units drove the need to make staffing and organizational choices.

First, a retirement occurred in the CalWIN Division in December of 2011. This allowed the Division Director the opportunity to realign his management to have a consistent level of managerial oversight. The ADSM was reorganized to oversee DSR and the position was advertised and recruited and will be filled starting 3/12/2012. This left an Information Systems Manager position vacant.

Second, the MAPM II position serving as the training manager retired. Because this position was a generic classification (an issue that HMRA noted in the audit) this position was claimed by a staff person in OCM who had been bumped to a lower level code due reduction in force in FMS during the County budgeting process.

The transfer of this person to Staff Development would have had severe negative impact on OCM. OCM has been stretched significantly with the number and complexity of community service procurements. These are complicated procurements that require a high level of community interface as well as both planning and logistical activities to execute. OCM also has struggled with the impact of multiple staff leaves. This is noted in the HMRA report. Consistency in staffing and the availability of individuals to complete an activity from beginning to end is critical as the unit seeks to meet the demands of the many procurements that are in OCM's queue.

Staff Development oversight requires specific skills and abilities and this Deputy Director's preference is to move to make the managerial position a Staff Development Training Manger position to assure that the future oversight of Staff Development is provided by well experience individuals in the field. The ISM remaining in CalWIN will be used to add/delete to create a Staff Development training Manager. CalWIN Division will be given the Management Analyst position left in OCM following the reassignment of that staff to the MAPM position. <

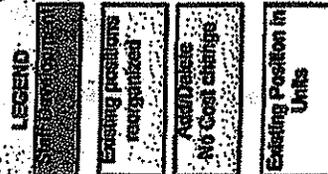
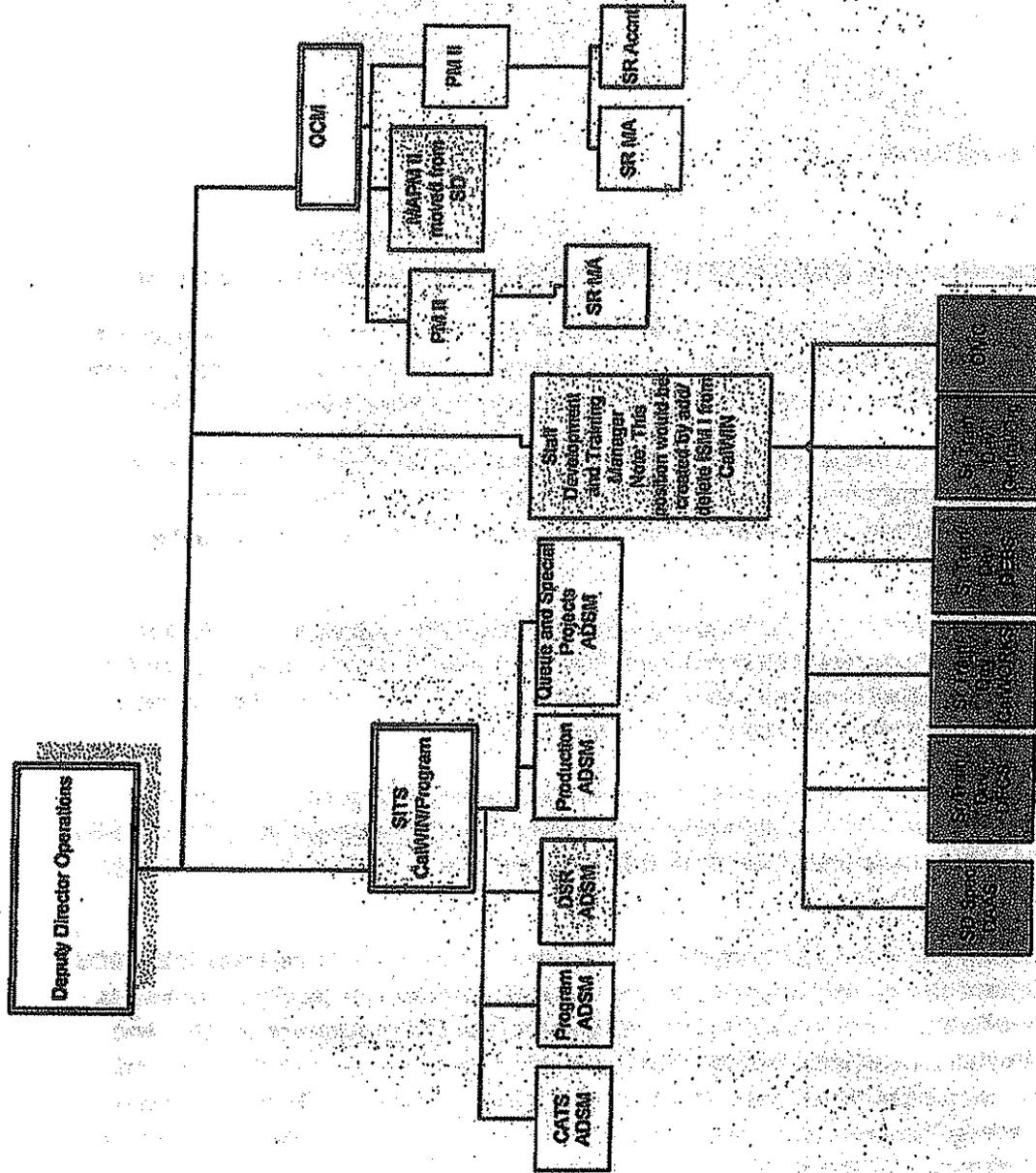
See attached planned org chart

Response to HMRA Audit of SSA Administration 2011-2012

DRAFT

ATTACHMENT 5 A

2/8/2012



Part IV:
Improving the SSA Organization Structure

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Section 8. Consolidating Fragmented Administrative and Support Functions

- **The County of Santa Clara’s Social Services Agency has a decentralized support structure. Administrative and support functions are divided into the Departments of Operational Services, Administrative Services, Financial Management Services and Equal Opportunity/Civil Rights.**
- **This divided structure creates inefficiencies and waste and does not facilitate communication among groups.**
- **Consolidation of the Departments of Operational Services and Administrative Services, consisting of Information Services, Government Relations and Planning, Staff Development and Training, Human Resources, Special Investigations and Central Services, would enable the administrative functions to be managed by a single Deputy Director, rather than the current two Deputy Directors. In addition, consolidation into one department the existing units of Financial Management Services, the Office of Contracts Management and Purchasing would streamline fiscal functions. This unit would report to the existing Chief Fiscal Officer.**
- **Consolidation and reorganization will create efficiencies and facilitate better communication among the departments. Structural and position changes will save the County approximately \$178,000 in general fund monies.**

Existing Structure

The County of Santa Clara’s Social Services Agency’s support functions are divided into the Department of Operational Services, Department of Administrative Services, Equal Opportunity/Civil Rights and Financial Management Services. See Attachment 8.1 for a visual representation of the current organization. The Department of Operations consists of the CalWin division, information services, government relations and planning, contracts management and staff development and training. This department is managed by a Deputy Director who reports to the Agency Director. The Department of Administrative Services is comprised of central services, human resources and special investigations. This department is also managed by a Deputy Director who reports to the Agency Director. Next, the Equal Opportunity/Civil Rights department manages EO and civil rights complaints made by agency staff and clients. This function is managed by an Equal Opportunity Officer who reports directly to the Agency Director. The Equal Opportunity Officer also has “dotted line” reporting to the County’s EO Director. Finally, the Financial Management Division consists of benefits issuance and certifications, claims and fund management, revenue, fiscal operations and budget administration. This department is led by a Chief Fiscal Officer and reports directly to the Agency Director.

The current structure has created barriers and does not allow for proper communication and information transfers. Reorganization and some consolidation would create efficiencies and facilitate better communications and operations.

Consolidation of Departments of Operational Services and Administrative Services

Currently, the Departments of Operational Services and Administrative Services are operated as two separate entities both lead by a Deputy Director. Auditors recommend that these two departments be combined with additional changes described below and in Section 1 of this report. This new department consisting of Information Services, Government Relations and Planning, Staff Development and Training, Central Services, Human Resources and Special Investigations. This new department would be led by one Deputy Director. The elimination of one Deputy Director position would save the County up to \$153,000 annually. Further, the consolidation would facilitate better communication between the administrative units and create management efficiencies by having one high-level manager responsible for all operational and administrative functions.

Create a Finance Division to include FMS, OCM and Purchasing

The CFO and Financial Management Service form one department and report to the Agency director. Auditors recommend that a larger department be created under the Chief Fiscal Officer to enhance control of the budget, agency expenditures and create greater communication between the groups that create and monitor the budget, pay contracted vendors and the groups that monitor agency contracts and procure services and supplies for the agency. This new department should include Financial Management Services, the Office of Contract Management and Purchasing.

The Office of Contract Management would move from the Department of Operational Services to report to the Chief Fiscal Officer in this newly created department. This move would give OCM staff better access to accounts payable and the budget information necessary to more efficiently monitor contracts. This move would especially aid in fiscal monitoring of contracts by allowing for a more coordinated effort in invoice monitoring. Please see additional changes to the Office of Contract Management in Section 8 of this report.

Purchasing would move from Central Services to this new department. This would also allow for closer coordination with accounts payable and budget information. According to information received from SSA, Purchasing is responsible for purchasing of day to day supplies, receiving, maintaining the fixed asset system, ergonomic and reasonable accommodation request, copier/fax maintenance and service and furniture requests. Purchasing reviews and authorizes purchases according to County policies and procedures.

Moving purchasing to the newly created group under the CFO would facilitate better communication regarding budgets and allow for greater asset management. Internal checks and balances would be maintained since FMS and Purchasing remain separate departments within this newly created unit. Further, it would add controls by separating the requesting units in Central Services and the individuals who actually make the purchase and expend funds.

Proposed Changes to Central Services

Historically, the Centralized Support Services division, which is responsible for scanning, mail services, and other support functions, was managed by an Administrative Support Officer III (ASO III). The decision to replace the Administrative Support Officer III with a Management Analysis Program Manager III, (MAPM III) in March 2011 cost the County's General Fund over \$25,200 a year.

The ASO III job description is more closely aligned to the requirements of this position. The job description definition states, "Under direction, to perform and coordinate fiscal, office management, personnel and administrative functions in a County department or organizational sub-unit; to supervise a group of clerical and/or technical staff performing support activities." This supervisory position in Central Support Services manages a staff that is responsible for records retention and mail operations.

In contrast, the MAPM III job description definition states, "Under general direction, to plan, direct and coordinate a management analysis program; to supervise the work of subordinate staff engaged in the management analysis activities of the program." Central Support Services does not perform management analysis and has no Management Analyst or Management Analysis staff. The two direct reports to the current MAPM III are classified as Administrative Support Officer IIs. Other job descriptions in this unit include Office Specialist II, Stock Clerk and Messenger Driver. The current MAPM III classification is inappropriate for the supervisory role in this type of unit therefore this position should be reclassified as an Administrative Support Officer III.

CONCLUSION

Reorganization of the Social Services Agency's Support Services would create efficiencies and facilitate better communication between departments. Further, this reorganization would save the County approximately \$153,000 annually. In addition, returning the supervisory position in Centralized Support Services back to an Administrative Support Officer III would save the County \$25,200 annually and ensure the proper position classification in the future. Attachment 8.2 outlines the proposed SSA organizational structure.

RECOMMENDATIONS

The Social Services Agency should:

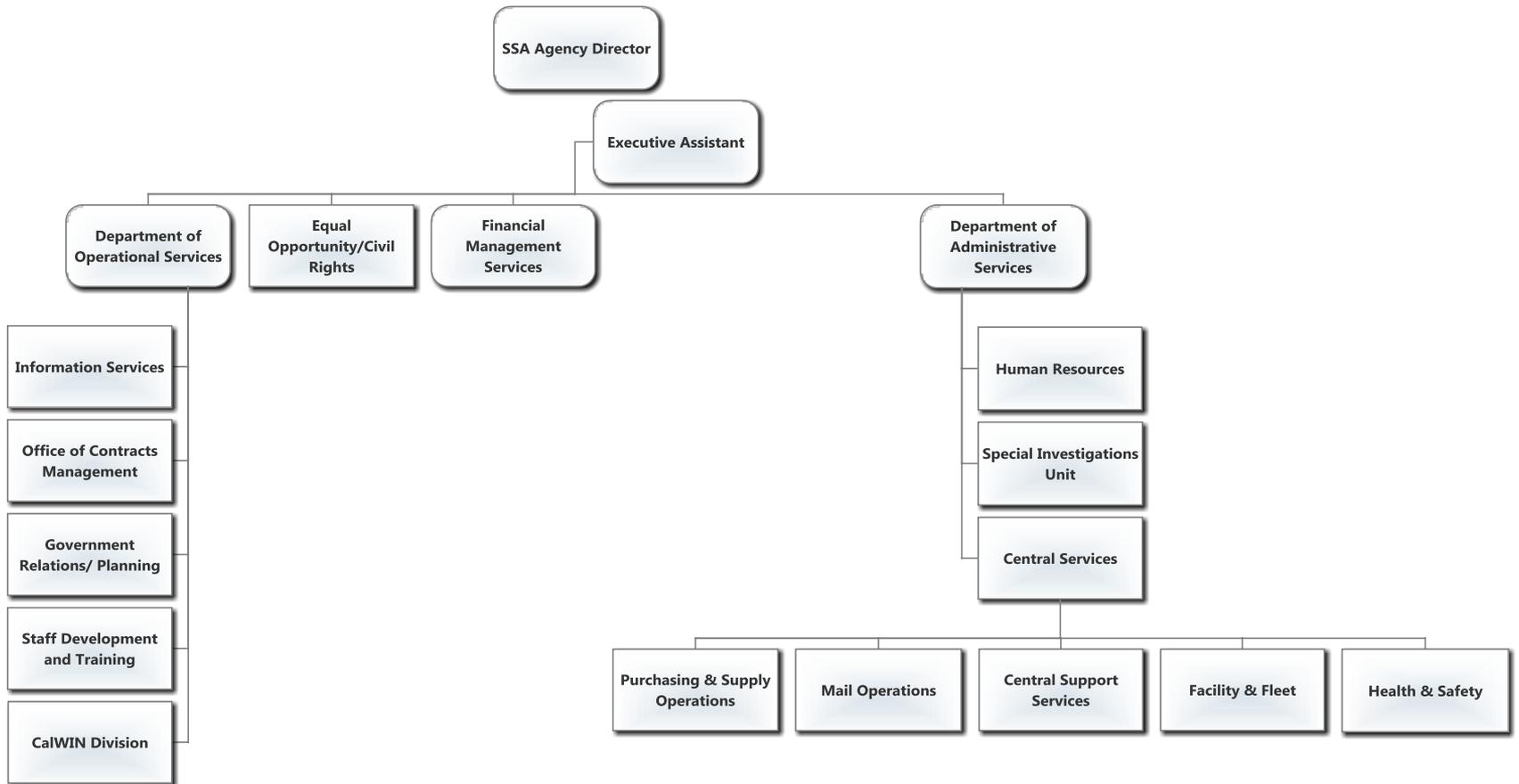
- 8.1 Combine the Departments of Administrative Services and Operational Services to create one unit lead by one Deputy Director. (Priority 2)
- 8.2 Create a Financial Services Department consisting of Financial Management Services, Office of Contracts Management and Purchasing. To facilitate this recommendation the Office of Contract Management would be removed from the Department of Operational Services and Purchasing would be removed from Central Services in the Department of Administrative Services. This department would report to the Chief Fiscal Officer. (Priority 2)
- 8.3 Reclassify the current supervisory position over the Centralized Support Services in Central Services from a Management Analyst Program Manager III back to its previous classification of Administrative Support Officer III. (Priority 2)

SAVINGS, BENEFITS AND COSTS

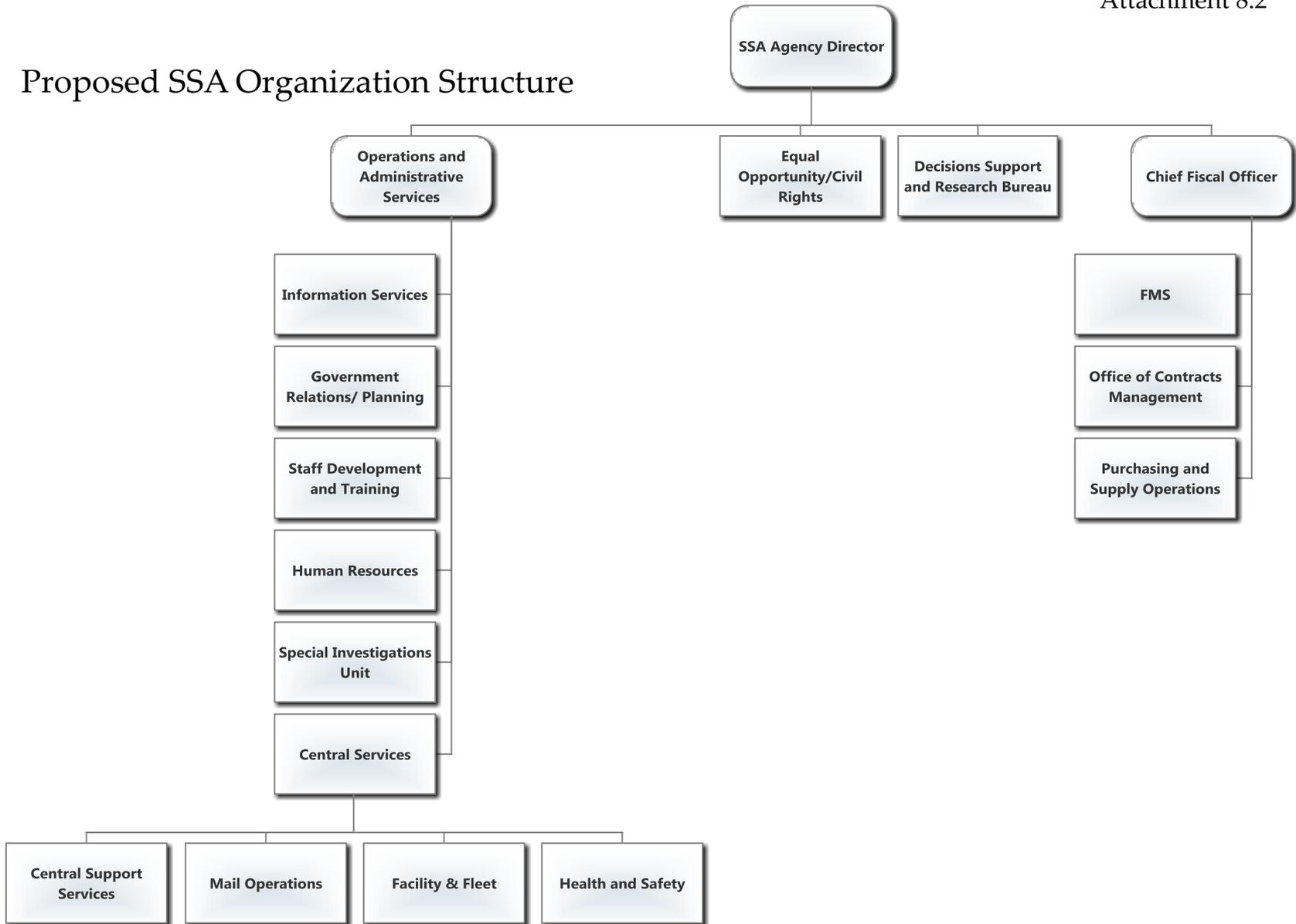
Implementation of recommendation 8.1 would save the County's General Fund up to \$153,000 annually. Recommendation 8.2 would be cost neutral however it would increase efficiencies and facilitate better communication between the groups that managed the budget and the groups that manage contracts. Recommendation 8.3 would save the County's General Fund \$25,200 annually.

Current SSA Organization Structure

Attachment 8.1



Proposed SSA Organization Structure



County of Santa Clara

Social Services Agency



333 West Julian Street
San Jose, California 95110-2335

DATE: August 24, 2012

TO: Management Audit Division

FROM: Bruce Wagstaff 
Agency Director

SUBJECT: **Response to Audit of SSA Administrative Services
Departments**

This memo and the attached matrix are submitted in response to the Management Audit Division's "Management Audit of the County of Santa Clara's Social Services Agency's Administrative and Support Services".

As you know, the Social Services Agency team is committed to supporting the agency's service departments in our mission to provide high quality, professional, financial, and protective services to our county's neediest residents. Support area staff ensures that the agency is positioned to make our processes as efficient as possible, with the goal of maximizing collaboration of employees at all levels, along with our clients and critical community partners.

Since assuming leadership of the Agency in July of this year, I have found the analysis and recommendations provided in the audit team's report to be invaluable as I assess the Agency's organization. In fact, as you'll note in the attached response matrix, I am in agreement with the vast majority of the thirty-six recommendations; with only one current "Disagree".

Of the remaining recommendations, eight focus on rather significant organizational changes. These require more comprehensive analysis of the related impacts on the community we serve, and our organization's ability to provide that service. The first effort involves recommendations related to the Agency's General Assistance program. I concur with the need to evaluate this program and am committed to completing a full analysis of its structure, to include open discussion with community stakeholders. Related activities will continue to proceed toward a fully informed recommendation for the Board of Supervisors, planned for March of 2013. The second set of recommendations revolves around major organizational changes that require more of my own, in-depth assessment of the audit's findings and my own observations. I will continue to weigh my own assessment with the information provided through the audit, and plan to be prepared to present my response to the Board of Supervisors through the Finance and Government Operations Committee this fall.

Please feel free to contact me directly with any questions at 408/755-7700.

Management Audit of the Santa Clara County Social Services Agency's Administrative and Support Services
Social Services Agency Response Matrix – August 24, 2012

Section I – Opportunities to Reduce Operating Costs		
1. Leasing of Facilities and Warehouse/Facility Security		
NO.	PRIORITY	AUDIT RECOMMENDATION
1.1	Priority 1	The BOS should consider adoption of a policy specifying that when County funds are used to pay for tenant improvements project specifications should be written by Project Management personnel in the County Facilities and Fleet Department, all bids should be conducted by County procurement in accordance with applicable procurement laws and policies, and the projects should be managed by County Project management in accordance with capital project laws, policies and procedures.
1.2	Priority 1	The BOS should consider adoption of a policy that requires presentation to the BOS of lease vs. purchase analyses when there is a potential lease or purchase choice where the value of the transaction exceeds \$500,000 or extends beyond five years.
1.3	Priority 1	The BOS should consider adoption of a policy requiring that County construction projects in excess of \$1,000,000 be planned and managed by a Project Manager from Facilities and Fleet, rather than by either department staff or personnel from private firms.
1.4	Priority 2	SSA's Central Services unit should develop a regular process and policies to inventory supplies on a regular basis, to ensure the security and efficient use of approximately \$600,000 worth of assets per year.
		STAFF RESPONSE
		<u>Social Services Agency:</u> Defer to County Facilities and Fleet Department.
		<u>Social Services Agency:</u> Defer to County Facilities and Fleet Department.
		<u>Social Services Agency:</u> Defer to County Facilities and Fleet Department.
		<u>Social Services Agency:</u> Agree. The Agency will track inventory of supplies. The Agency will only order supplies when requested to minimize number of items stored and duration of storage.

Management Audit of the Santa Clara County Social Services Agency's Administrative and Support Services
Social Services Agency Response Matrix – August 24, 2012

Section I – Opportunities to Reduce Operating Costs – Continued		
1. Leasing of Facilities and Warehouse/Facility Security – Continued		
NO.	PRIORITY	AUDIT RECOMMENDATION
1.5	Priority 2	SSA's Central Services unit should develop, maintain and distribute an inventory of stored furnishing and equipment, and develop a policy requiring upkeep of inventory records. The agency should implement a policy requiring use of stored items first, prior to ordering anything new. If there are items in storage that are not usable, they should be disposed of.
1.6	Priority 2	SSA's Central Services unit should promptly dispose of items that have been sitting in storage for years and are unlikely to be used through the proper disposal procedures established by County Procurement. Clearing out old items would reduce the need for warehouse space, improve the accessibility of useful items and reduce the amount of items that need to be tracked, inventoried and secured.
1.7	Priority 1	SSA's Central Services unit should implement, as a way of reducing thefts, a policy prohibiting unsupervised access to county facilities and assets by contractors and extra help personnel. These personnel should be directly supervised by county staff. The agency should also consider reducing to one the number of unalarmed doors through which personnel may travel in a given facility in the normal course of business, and the installation of a camera on that door.
2. Central County Printing Services vs. Duplicative SSA Publishing Services		
NO.	PRIORITY	AUDIT RECOMMENDATION
2.1	Not Provided	SSA should terminate its in-house Publishing Services function, transferring its duties in assigning numbers for policy memo and tracking State letters and notices to other SSA staff, and resume having the printing Services Internal Service Fund perform its printing work, for a savings of \$156,837 annually by eliminating two positions assigned to this function, and savings of \$35,318 by eliminating a 0.5 FTE Office Specialist ii position in the Face-to-Face Waiver unit, which spends 35-40 percent of its time printing waiver packets.
		STAFF RESPONSE
		<u>Social Services Agency:</u> Agree. The Agency is working with the County's Information Services and Facilities and Fleet Services departments to explore implementation of possible solutions, with requirements and plan anticipated to be developed by December 2012.
		<u>Social Services Agency:</u> Agree. Central Services will follow County disposal procedures. In addition, 70,000 square feet of warehouse space will be eliminated by July 2013.
		<u>Social Services Agency:</u> Agree. The Agency will take steps to ensure that access by contractors and extra-help employees is limited and monitored appropriately, and will continue to provide appropriate background checks and supervision for extra-help employees. The Agency will also consider the costs for additional security cameras.
		STAFF RESPONSE
		<u>Social Services Agency:</u> Disagree. The Agency is concerned that moving publishing functions entirely offsite will interfere with our ability to comply with state and federal requirements and deadlines for processing client information. However, the Agency will evaluate opportunities to utilize Central County Printing Services where possible.

Section I – Opportunities to Reduce Operating Costs – Continued		
2. Central County Printing Services vs. Duplicative SSA Publishing Services – Continued		
NO.	PRIORITY	AUDIT RECOMMENDATION
2.2	Not Provided	Printing Services Internal Service Fund should consider initiating a quick-copy function, similar to that now provided at the County Hall of Administration and Valley Medical Center, for the SSA, located in the space that now houses the in-house SSA Publishing Services function. The decision to establish this function would be based on an assessment by the ISF of printing workload and workflow coming from SSA. If established, this function would be staffed by a new Bindery Worker II position, at an annual salary and benefits cost of \$72,653.
2.3	Not Provided	The County Executive should assign to the Center for Leadership and Transformation (CLT) development of a new Countywide printing policy, addressing the process by which departments obtain printing equipment that is appropriate for their needs, and the determination for when printing work should be produced within departments, versus being ordered through the Countywide Printing Services ISF. The CLT project should begin with a Countywide inventory of printer/copiers, paying particular attention to equipment that is over-or under-utilized, relative to its operating capacity. It should also include, in concert with the Employee Services Agency, a review of the County's job classifications associated with printing functions.
Section II – Opportunities to Improve Financial Management Practices		
3. Improving SSA Collection Unit Practices		
NO.	PRIORITY	AUDIT RECOMMENDATION
3.1	Priority 1	SSA should reinstate at least one Revenue Collections Officer and assign that individual to exclusively collect General Fund debts. The net revenue from this recommendation is estimated to be \$300,000 annually.
		STAFF RESPONSE
		<u>Social Services Agency:</u> <i>Defer to Information Services Department.</i>
		<u>Social Services Agency:</u> <i>Defer to County Executive.</i>
		STAFF RESPONSE
		<u>Social Services Agency:</u> <i>Defer pending completion of CLT initiative currently underway to reduce overpayments and improve collections. This recommendation should be re-evaluated after the CLT initiative is complete.</i>

Section II – Opportunities to Improve Financial Management Practices – Continued		
3. Improving SSA Collection Unit Practices – Continued		
NO.	PRIORITY	AUDIT RECOMMENDATION
3.2	Priority 2	SSA should use the County's existing remote payment vendor to establish at no additional cost to the County remote payment options, including online and telephone payment with credit cards, debit cards and e-checks.
3.3	Priority 3	SSA should ensure that there is a payment link on the Agency's webpage, and that the County's main webpage links to this page as well.
4. Revising General Assistance Policies and Collection Procedures		
4.1	Priority 3	BOS should direct the County Executive to have the SSA develop and implement a write-off policy for General Assistance debt. At a minimum, all debts five years or older should be written off. The write-off policy should establish a minimum threshold, such as \$35, below with G.A. collections are not pursued due to lack of cost effectiveness.
4.2	Priority 1	BOS should consider whether to place time limits on the General Assistance program for employable persons. A nine-month limit within a 12-month period would save the General Fund an estimated \$1.4 million per year on an ongoing basis.
4.3	Priority 1	BOS should consider whether to restructure the G.A. "employable" program from a "loan" program to a "grant" program due to lack of cost-effectiveness of direct "loan" collections. Indirect collections, which represent the vast majority of receipts, should continue.
4.4	Priority 2	BOS should establish a pre-collections debt verification and correction review process. By using existing staff, at least one of whom is presently carrying out this work on an after-the-fact basis, this recommendation is cost-neutral, and should ultimately result in less waste and inefficiency.
4.5	Priority 2	BOS should provide the same training to existing and future Collections Officers that Eligibility Workers receive to enable Collections Officers to validate debts and proceed with

STAFF RESPONSE

Social Services Agency: Agree. The Agency is currently developing the remote payment process in conjunction with the Department of Finance.

Social Services Agency: Agree. The Agency is currently in the process of configuring the payment link on the Agency's webpage in conjunction with SSA Information Systems.

Social Services Agency: Agree. This is an area of study by the Debt Management CLT team. Defer pending completion of the CLT study, with their recommendations scheduled for the Board in December 2012.

Social Services Agency: The Agency is considering this policy change and requires the opportunity to gather and analyze input from community stakeholders. Recommendations will be provided to the Board in March 2013.

Social Services Agency: See "Staff Response" in 4.2 above.

Social Services Agency: Agree. The "pre-collections debt" verification" and correction review process is under consideration by the Debt Management CLT team, and the Agency defers pending completion of the CLT effort. The Agency has added an Eligibility Examiner in the Collections Unit to perform "post-collections debt" correction review.

Social Services Agency: Agree. To support this recommendation, in September 2012, SSA will take requests for additional Staff Development Specialist staff to the Board of

Management Audit of the Santa Clara County Social Services Agency's Administrative and Support Services
 Social Services Agency Response Matrix – August 24, 2012
 Supervisors to address a variety of identified training needs.

collections on a more timely and efficient basis		
Section II – Opportunities to Improve Financial Management Practices – Continued		
5. SSA Contract Management and Audits		
NO.	PRIORITY	AUDIT RECOMMENDATION
5.1	Priority 2	SSA should reorganize the Office of Contracts Management to merge its two units under one manager to facilitate proper distribution of workload and reduce extra help expenditures.
5.2	Priority 2	SSA should request reclassification of a Program Manager II position as a Sr. Management Analyst who can take on contract monitoring responsibilities, thereby reducing the “top heavy” management of the Office of Contracts Management.
5.3	Priority 3	SSA should transfer program monitoring responsibilities to the respective departments, where the program expertise lies, rather than monitoring program compliance in the contracts office.
5.4	Priority 3	SSA should amend the policy manual to include a standardized process for the reorganized Office of Contracts management and disseminate the amended manual to staff.
5.5	Priority 2	SSA should request a change to the current Office of Contracts Management (OCM) job descriptions responsible for compliance monitoring and procurement to descriptions that require prior contracting experience and knowledge. The Employee Services Agency should conduct a classification study to find or develop the appropriate job classification for OCM employees.
STAFF RESPONSE		
		Social Services Agency: <i>Partially Agree. The Agency has initiated an assessment of the overall staffing needs of the Office of Contracts Management, and will complete this assessment considering the audit recommendations, and the volume of OCM's procurement requests against the level of available resources.</i>
		Social Services Agency: <i>Partially Agree. Refer to 5.1.</i>
		Social Services Agency: <i>Agree to adopt within any constraints on resource availability.</i>
		Social Services Agency: <i>Agree. To be completed by 12/1/2012</i>
		Social Services Agency: <i>Defer to Employee Services Agency for completion of the classification study.</i>

Section II – Opportunities to Improve Financial Management Practices – Continued			
5. SSA Contract Management and Audits – Continued			
NO.	PRIORITY	AUDIT RECOMMENDATION	STAFF RESPONSE
5.6	Priority 1	The fiscal monitoring process implemented in FY2010-11 should be documented and expanded to cover all contracts of \$100,000 or more. Further, all invoices, including invoices for the THPPlus program, should be reviewed and approved by the Fiscal Monitor prior to payment.	<u>Social Services Agency:</u> Agree. Pending an assessment of the resources required for implementation.
5.7	Priority 1	The payment processing for THPPlus should be moved from OCM and placed in Accounts Payable to improve internal controls to ensure proper monitoring of this program and compliance with County policy.	<u>Social Services Agency:</u> Agree. THP Plus payment processing responsibility was transferred to DEBS in May 2012.
Section III – Opportunities to Improve Efficiency of Technology Services and Planning			
6. Improving information Technology Project Planning and Management			
6.1	Priority 2	SSA should adopt a strategic technology plan, in order to better align technologies and projects with the Agency's mission and objectives.	<u>Social Services Agency:</u> Agree. Refer to comments on 6.3. Timeline for development of strategic technology plan will be developed by IT steering committee.
6.2	Priority 2	SSA should include internal staffing costs when calculating total project costs, in order to better inform decision-making with respect to project prioritization and implementation.	<u>Social Services Agency:</u> Agree
6.3	Priority 2	SSA should create an IT steering committee to make project prioritization recommendations to the Agency's Executive Management.	<u>Social Services Agency:</u> Agree and implement by 9/30/2012.
7. Consolidating SSA CalWIN and Information Services			
7.1	Priority 2	SSA should merge the CalWIN Application and Triage Support (CATS) Bureau into the Agency Helpdesk under one manager, thus reducing one management position.	<u>Social Services Agency:</u> The Agency is currently reviewing this recommendation, and will have completed the analysis for representation during the October FGOC meeting.
7.2	Priority 1	SSA should reduce the number of CATS staff from eight to five to better align this group with its actual workload.	<u>Social Services Agency:</u> Refer to "Staff Response" in 7.1, above.

Section III – Opportunities to Improve Efficiency of Technology Services and Planning - Continued

7. Consolidating SSA CalWIN and Information Services - Continued

NO.	PRIORITY	AUDIT RECOMMENDATION	STAFF RESPONSE
7.3	Priority 3	SSA should request a reclassification study by the County's Employee Services Agency to set a standardized salary rate for employees of the merged CATS and Agency Helpdesk.	<u>Social Services Agency:</u> Refer to "Staff Response" in 7.1, on the previous page.
7.4	Priority 3	SSA should relocate the Program Analysis and Support (PAS) Bureau and the Decision Support and Research (DSR) Bureau to the Agency's Department of Employment and Benefit Services in order to strengthen responsibilities and reporting lines.	<u>Social Services Agency:</u> Agree. Scheduled for transfer following the completion of the required organizational notifications.
7.5	Priority 2	SSA should eliminate the Management Analyst position presently located in the Office of Contracts Management, but which will be redeployed CalWIN in the near future (per the Deputy Director of Operational Services' advice to the Auditors). The need for this position has not been demonstrated.	<u>Social Services Agency:</u> Refer to "Staff Response" in 7.1, on the previous page.

Section IV – Improving the SSA Organization Structure

8. Consolidating Fragmented Administrative and Support Functions

8.1	Priority 2	SSA should combine the Departments of Administrative Services and Operational Services to create one unit lead by one Deputy Director.	<u>Social Services Agency:</u> The Agency is currently reviewing this recommendation, and will have completed the analysis for presentation during the October FGOC meeting.
8.2	Priority 2	SSA should create a Financial Services Department consisting of Financial Management Services, Office of Contracts Management and Purchasing. To facilitate this recommendation the Office Contract Management would be removed from the Department of Operational Services and Purchasing would be removed from Central Services in the Department of Administrative Services. This department would to the Chief Fiscal Officer.	<u>Social Services Agency:</u> Refer to "Staff Response" in 8.1, above.
8.3	Priority 2	SSA should reclassify the current supervisory position over the Centralized Support Services in Central Services from a Management Analyst Program Manager III back to its previous classification of Administrative Support Officer III.	<u>Social Services Agency:</u> Refer to "Staff Response" in 8.1, above.

County of Santa Clara

Facilities and Fleet Department

County Center at Charcot
2310 North First Street, Suite 200
San Jose, California 95131-1011
(408) 993-4700



Date: August 8, 2012

To: Cheryl Solov, Contract Principal Management Auditor
Santa Clara County Board of Supervisors

From: David L. Snow, Deputy Director, Facilities & Fleet Department

Subject: Response to SSA Audit Portion Related to Facilities

Your Recommendation 1.1. Consider adoption of a policy specifying that when County funds are used to pay for tenant improvements (TI) project specifications should be written by Project Management personnel in the County Facilities and Fleet Department, all bids should be conducted by County Procurement in accordance with applicable procurement laws and policies, and the projects should be managed by County Project Management in accordance with capital project laws, policies and procedures. (Priority 1)

FAF would not recommend this policy change as proposed. The issues that should be addressed in any policy change in this area should include cost validation (requirements and budget estimates), cost control, and prevailing wage. Because Landlords own the TIs and are entirely responsible for their design, permitting, and construction, the County's only role is to validate the TIs are indeed necessary and determine whether the price proposed is reasonable. While capital project managers have the expertise to assist in this process, the policy could also require the Landlord to follow Public Contract Code bidding practices and prevailing wage when TIs are requested and funded by the County.

Your Recommendation 1.2. Consider adoption of –a policy that requires presentation to the Board of Supervisors of lease vs. purchase analyses when there is a potential lease or purchase choice where the value of the transaction exceeds \$500,000 or extends beyond five years. (Priority 1)

FAF concurs with this recommendation, but would expand it to include all facility investment decisions, whether leased or owned. An analysis comparing alternatives including all one-time and ongoing costs should be required.

Board of Supervisors: Mike Wasserman, George Shirakawa, Dave Cortese, Ken Yeager, Liz Kniss
County Executive: Jeffrey V. Smith

1.3 Consider adoption of a policy requiring that County construction projects in excess of \$1,000,000 be planned and managed by a Project Manager from Facilities and Fleet, rather than by either department staff or personnel from private firms. (Priority 1)

FAF is neutral on this recommendation, and somewhat confused about what is meant by “a construction project”. I think it is important that County capital project managers play a role in developing the program requirements and evaluating proposed tenant improvements in any leased facilities. Resources for this support could be identified in the annual budget submittal as part of an annual work plan. It’s important to note that FAF, Parks and Recreation, Roads and Airports, and SCVMC all have capital project management staff.

Implementation of Recommendations 1.1 through 1.3 would greatly improve controls and likely reduce expenses associated with building leases and improvements. Had recommendation 1.2 been in place in 2011, it might have saved the County General Fund an estimated \$6.8 million over 11 years.

Table 1.5
Estimated Landlord vs. County Costs
for 1867 Senter Road Over 11 Years

	Landlord's Cost	County's Cost	Difference
Purchase	\$ 10,900,000	\$ 0	\$ 10,900,000
Improvements and			
Misc.	\$ 3,192,750	\$ 2,000,000 1	\$ 1,192,750
Generator	\$ 572,313	\$ 0	\$ 572,313
Lease Payments	\$ 0	\$ 33,896,609 2	\$ (33,896,609)
Estimated Maintenance	\$ 4,214,430	\$ 0	\$ 4,214,430
Total	\$ 18,879,493	\$ 35,896,609	\$ (17,017,116) 3

1) This is the known cost for County improvements and associated expenses. At the time of the audit, it appeared additional costs may be incurred.

2) The lease payments include maintenance, taxes and janitorial services. The estimated cost of maintenance, based on \$3 per square foot per year for 11 years is shown separately as a landlord expense. *Estimated expenses of janitorial services for the landlord are undetermined and therefore omitted from the landlord's estimated costs. These expenses are likely significant.* It should be noted that the landlord will pay about \$1.8 million in property taxes over the 11-year period. However, this is not included in the table since if the County had purchased the property, no taxes would be due.

3) An estimated 40 percent of this loss, or \$6.8 million, is a General Fund cost.

We do not have an estimate for what the County’s janitorial expense would be. Janitorial services are included in the lease payment. Table 1.5 omits this expense for the landlord. This omission accounts for a portion of the \$17 million difference. However, unless the County’s cost for janitorial services exceeded \$1.5 million per year, it would have been less expensive for the

County to have purchased the building. Even if the County's costs were equal to the landlord's costs over the lease term, at least at the end of the term, the County would have owned the building, and would be free from further rental payments. If the County had purchased the building, the County either could have continued to use the facility without having to pay rent or charges to cover the landlord's taxes, or could have sold it, presumably for at least \$11 million.

To say we would have saved \$6.8 million over 11 years implies the County was in a cash position to purchase a similar facility. As indicated in FAF's response to your recommendation 1.2., the analysis of leased versus owned facilities should always be conducted. As part of this analysis, the level and timing of reimbursement from State and Federal resources should be considered, e.g. cost of capital, rate of reimbursement, cash on hand, etc.