

**BOARD OF SUPERVISORS RESPONSE TO  
GRAND JURY REPORT NO. 0709:  
SHORING UP COUNTY MANAGEMENT WITH BEST PRACTICES**

<b>FINDINGS</b>
-----------------

A. Strategic Planning

1. The Board of Supervisors (“Board”) and County Administrator have identified four key County goals. The goals are far-reaching and challenging and are summarized under the following four groupings:
  - Improved fiscal health
  - Improved service delivery
  - Build the organization and team
  - Foster credibility and public education

***Response: Agree.***

2. Contra Costa County does not have a formal, multi-year strategic plan to guide the County in a coordinated direction, to measure progress towards goals and objectives, and to take corrective actions when necessary.

***Response: Agree.***

3. The County does not have a mechanism or process to solicit, change, or prioritize countywide goals and initiatives relative to its changing environment and needs. Input from department heads and employees are not documented. Further, there is no systematic mechanism to capture suggestions from community leaders, residents, and principle users of County services.

***Response: Partially disagree. The County primarily uses its annual budget process as the mechanism to annually review and establish priorities. That process recognizes and responds to the external forces that largely determine the Board’s ability to respond to the changing needs.***

***The County operates in an environment that is structured by state and federal law, and intergovernmental and local revenues. The size of the County budget might imply that the Board of Supervisors has significant discretion over its program and service priorities. In reality, the Board has very limited discretion over most of the services provided by the County. Most are statutorily mandated or required by funding obligations. Similarly, state or federal program funding drive allocation of resources.***

***Feedback occurs in several ways. The County Administrator regularly meets with department heads individually and as a group to discuss department operations, county-wide and multi-departmental issues and Board concerns. Individual departments have also adopted feedback mechanisms for clients input. For example, General Services, Employment and Human Services and Department of Information Technology use customer satisfaction surveys. Public Works and Community Development use staff assigned to a particular community. Health Services employs a variety of mechanisms and recently convened a Committee to examine their efficacy.***

4. The Board and County Administrator do not have a formal mechanism for communicating a County plan and vision to all stakeholders. The County has more than 28 diverse departments in its organizational structure, many with their own mission, vision, and sets of priorities. There is no formal medium to periodically update

the direction of the County as a whole. Instead, the County relies on informal updates through periodic bulletins, newspaper editorials and articles, and public access television.

***Response: Disagree. Departments are reporting annually on their activities and accomplishments under each of the County's goals (identified in Finding #1 above). The current formal mechanism for doing so is the County's Annual Budget process and hearings. The formal medium to periodically update diverse departments on the County mission, vision, and values is the bimonthly department head meeting with the County Administrator. The Board of Supervisors communicates direction to County departments through the County Administrator.***

***On financial matters, the County annually publishes the "Comprehensive Annual Financial Report" (CAFR), which details the County's financial status, including financial trends and revenue and debt capacity. The CAFR also overviews the County's long-term financial planning efforts and financial policies. Strategic actions to increase operational efficiency and leverage County resources are also identified in the CAFR.***

***The County Administrator also publishes a quarterly "all County" newsletter to all County employees, advising them of significant changes and accomplishments and their relevance to the County's goals.***

5. The County's Internet website is a key method of communicating to Contra Costa stakeholders. It supplements newspaper editorials, articles, bulletins, and public access television. The County's website does not include an overall plan or vision, or set of priorities. The website's "County Performance Reports" section provides some insights into departmental responsibilities, accomplishments, and challenges. However, the descriptions are lengthy, and "text heavy". The "Government Performance Report" section is out-of-date and does not reflect the County's financial experience over the past four years. The "County Budget Processes" section is also out-of-date relative to current financial information.

***Response: Agree with clarification. The "County Budget Processes" section was out-of-date as of the issuance of this report. The County Budget Documents, Comprehensive Annual Financial Reports, and Lease Revenue Bond sections are current. Additionally, the latest Official Statement in the Lease Revenue Bond section contains a current "County Budget Processes" section, which has now been copied to the Financial Information section of the web-page. In addition, the new County Performance Reports reflecting FY 2006-07 year end material will be posted in the near future. It should also be noted that a complete revamping of the County's website is currently underway.***

## RECOMMENDATIONS

### A. Strategic Planning

1. The County should develop a multi-year strategic plan for:
  - Setting County direction
  - Establishing priorities
  - Communicating to stakeholders

This plan should be updated at least annually so all stakeholders are informed about the County's goals and objectives, progress towards both, and changes in priorities.

***Response: Will not be implemented. The County currently adopts an annual strategic plan that sets County directions and establishes priorities. This is the Recommended Budget. The Recommended Budget encapsulates the administration's recommendations to the Board and identifies key issues and priorities for each department. With its allocation of resources, the County Board of Supervisors establishes priorities within the limits of its discretion. It should be noted that state and federal law and regulations often constrain the Board's ability to set or change directions. Conversely, action at a state or federal level can trigger unanticipated, rapid changes over which the Board of Supervisors has no control. For example, a federal lawsuit on prison overcrowding in the State of California resulted in a major "prison reform" initiative which will transfer responsibility for both adult and juvenile prisoners to counties, absent adequate compensation. This could not have been anticipated in a multiyear strategic plan but can be addressed through the annual budget process.***

***In addition, the annual budget process is communicated to the public and other stakeholders. Hearings are televised live and after-the-fact, on CCTV. The County also generates news releases on the budget, which usually result in newspaper articles. In addition, most department newsletters, as well as the "all county" newsletter, include discussion of the budget.***

- 2 Within two years of this report, the County should develop a strategic plan that incorporates the following key elements:
  - Setting the direction: vision, mission and guiding principles
    - organizational (e.g., personnel, financial performance, operating departments)
    - programmatic (e.g., public safety, health / welfare, economic development, transportation)
  - Assessing the environment and changes in the County
    - County participants (e.g., Board of Supervisors, County Administrator, department heads, employees, and unions)
    - Constituent participants (e.g., community leaders, residents and principle users of County services)
  - Identifying issues, strategic initiatives, and priorities
    - County management (e.g., Board of Supervisors, County Administrator, and department heads)
  - Developing and implementing the plan
    - Special planning group from County management team
  - Monitoring and evaluating the performance goals, objectives and actions
    - Special planning group from County management team

***Response: Will not be implemented. While a "strategic plan" as envisioned by the Grand Jury will not be implemented because existing County processes address our priority and allocation setting requirements, the County could develop better methods to present information on the "key elements" identified by the Grand Jury. Those methods will be identified and put into place by the County Administrator within six months.***

<b>FINDINGS</b>
-----------------

B. Personnel Performance Evaluations

1. Previous Grand Jury reports, No. 9406 and No. 0206, published in 1994 and 2002 respectively, addressed County personnel performance evaluations.

***Response: Agree.***

2. As a result of the 1994 Grand Jury report, the Board directed the County Administrator to have each department develop a program of annual performance reviews of all their employees. Following is a summary of the directive:
  - Department Head Performance Evaluations: Each year, department heads are to submit a performance report on themselves to be evaluated by the County Administrator and/or Board through the County Administrator. The performance report requires, among other things, an appraisal of the degree to which employee evaluations are conducted in their departments, and the quality and content of the evaluations.
  - Employee Performance Evaluations: Departments are required to conduct annual performance reviews on all their employees.

***Response: Agree.***

3. The County's organizational structure includes six elected and 22 appointed officials that act as department heads, as reported in the County's "2006 Comprehensive Annual Financial Report."

***Response: Agree.***

4. The County has approximately 7,800 full-time employees.

***Response: Disagree. The 2006 Comprehensive Annual Financial Report lists 8,423 full time equivalent employees as of June 30, 2006.***

5. The County does not have a centralized performance evaluation program, or a countywide system to monitor the status of employee performance reviews. Each department maintains its own personnel files.

***Response: Agree. The County utilizes a decentralized system.***

6. In April 2007, the County's Human Resources Department surveyed most of the department heads to determine the dates of their last formal performance evaluations. Fifteen of the 20 department heads that responded had not had a performance evaluation within the past 12 months. One of the 15 had not been reviewed in six years, and six had not received a formal review since they assumed their duties.

***Response: Agree. Note that the current County Administrator assumed office on March 3, 2006, and has developed a department head evaluation process and timetable that is resulting in annual performance evaluations.***

7. The County Administrator is responsible for facilitating department head performance evaluations directly, or in conjunction with the Board of Supervisors. The County Administrator also is responsible for ensuring that all County employees receive departmental performance evaluations on an annual basis. The County Administrator is responsible for conducting performance evaluations for the seven staff members who report directly to him, and for reviewing evaluations for the rest of his department.

***Response: Partially agree. The County Administrator is responsible for performing evaluations of non-elected department heads and his direct reports. Department heads are responsible for performance evaluations within their departments.***

8. During the County's annual budget review process, the Board and the County Administrator meet with most department heads. This budget review time is also used to discuss performance expectations and progress toward achieving their respective goals and objectives.

***Response: Partially disagree. Since 2006, the County Administrator and staff have met with department heads in preparation of the County budget and development of performance goals. The Board of Supervisors has overseen this process via review and approval of the Recommended Budget.***

9. Each department defines and manages their respective employee performance evaluation programs with only limited guidance from the County's Human Resources Department.

***Response: Agree with clarification. Human Resources provides guidance and support as requested and consistently administers the Salary Review form and associated process.***

10. Performance evaluations are not consistently administered across all departments.

***Response: Partially disagree. Performance evaluations are required in all departments. Salary Reviews of employees who have not reached the top of their salary range are consistently implemented in all departments and supported by the Human Resources Department. The Salary Review form includes a section that allows for comments on performance. Various Departments also utilize performance evaluation forms consistent with their specific job classifications.***

11. The County does not have a mechanism to track the timeliness, completeness, and effectiveness of employee performance reviews.

***Response: Partially disagree. Through the Salary Review, the County has a centralized system for tracking the timeliness and completeness of performance reviews for employees who have not reached the top of their salary range. Individual departments also have tracking systems to monitor completion of performance reviews.***

## RECOMMENDATIONS

### B. Personnel Performance Evaluations

1. The Board should direct the County Administrator to fulfill his responsibilities with respect to conducting annual department head performance evaluations, and ensure that all County employees receive annual performance appraisals. Further, the Board should be more actively engaged in supporting and participating

with the County Administrator in conducting department head performance evaluations, especially for Board-appointed officials.

***Response: Has been implemented in part. The County Administrator conducts annual performance evaluations for non-elected department heads and requires department heads to have performance appraisal practices within their organizations.***

***Requires further analysis in part. Involvement of the Board would require consideration of such issues as the County Administrator versus Board of Supervisors responsibilities, the Board involvement with the department head, appointing authority for the department head position (or elected), level of review and time requirements.***

2. The County Administrator should develop a standardized department head self-evaluation form and process to facilitate more timely performance reviews. Each department head should complete and forward the form to the County Administrator for review and commentary. Upon completion, the County Administrator, and/or a Board member (for Board-appointed officials), should schedule a meeting to discuss the evaluation report with the department head.

***Response: Has been implemented. A standardized departmental evaluation form and process is currently in place. The County Administrator requires appointed department heads to submit a self-evaluation outlining past year's accomplishments and future year's goals. The County Administrator utilizes this information in completing performance evaluations with department heads.***

3. The County Administrator also should develop a standardized performance appraisal form, including consistent elements to the greatest extent possible, with supportive processes for all remaining County employees.

***Response: Will be implemented as modified. The County Administrator will direct the Human Resources Department to develop county-wide core performance elements in a standardized format. Departments can then add these core elements to performance expectations relevant to the specific job classes.***

4. The County Administrator should develop a mechanism for reporting by department on the timeliness and completeness of County performance evaluations.

***Response: Will be implemented. The mechanism will be the annual department head performance review. This will include notation of the department head's effectiveness in managing performance appraisal processes within his/her department.***

5. The County Administrator should direct the Human Resources Department to monitor and evaluate the administration of the employee performance evaluation program and recommend corrective actions where appropriate.

***Response: Will not be implemented. Department heads are responsible for employee evaluations within their departments. The Human Resources Department is available to provide support to departments through training, consultation and information on best practices.***

## FINDINGS

### C. Professional Services Contract Renewals

1. The County does not have a formal, documented countywide process or set of procedures for awarding most professional services contracts, with the exception of the guides for legal contracts and outreach programs.

***Response: Partially disagree. The County has formal documented countywide policies and procedures for preparing and processing contracts and performing outreach to potential service providers. The County's Outreach Program requires that outreach be conducted for all contracts exceeding \$2,500 with the exception of contracts with nonprofit service providers. The County has a separate outreach and competitive recruitment policy that applies to nonprofit service providers. Outreach efforts can be either formal (e.g., bid specifications, bidders' conference, evaluation committee, evaluation form) or informal (phone calls, emails), at a department's discretion depending on the contract cost and availability of service. Several County departments have written department policies governing competitive bidding for contracted services.***

2. Individual departments are allowed to define their respective procedures and processes for contracting for services within the scope of the general County's guidelines. The guidelines include type of contracted service, applicable federal, state, and local laws, and County "Administrative Bulletins."

***Response: Agree.***

3. Purchasing and procurement services for the County include:

- Construction activities
- Material or commodity acquisitions
- Community-based organization services
- Public works
- Architectural / engineering services
- Professional service organizations, agencies and individuals

***Response: Agree with clarification. The County generally uses the following categories: construction services; professional, consulting, technical, and personal services; community-based services; and commodities. These services and commodities can be provided by various types of vendors including individuals, groups, agencies, partnerships and corporations.***

4. Professional services include, but are not limited to:

- Specialists in a particular discipline
- Consultants
- Skilled positions

- General service individuals / organizations
- Personal services

***Response: Agree.***

5. Unlike construction and material acquisition contracts, there is no legal requirement to secure competitive bids for professional services.

***Response: Agree. Although not legally required, some departments have begun to use the new on-line RFP Depot system for outreach. Expanded outreach typically results in more competitive bids.***

6. The County does not have a procedure or set of standards for evaluating the quality of contracted professional services. Individual departments are permitted to make their own determinations.

***Response: Agree. Due to the variation of the services, service plans, and deliverables, it would be impractical to apply a universal set of standards to all contracts. Contractor performance is generally evaluated based on the specific performance requirements in the contract itself and not to a general standard outside of the contract.***

7. Periodic internal audits are not routinely performed on professional services contracts, although the County Administrator may request an audit if questions arise.

***Response: Partially disagree. The Internal Audit Division of the Office of the Auditor-Controller performs a risk assessment as part of the procedures for department audits. The process is used to schedule the audits and the areas to be audited. Professional service contracts are included in the analysis.***

8. The County does not have a compliance officer to monitor contract processes.

***Response: Agree with clarification. While no one individual is responsible for monitoring all aspects of every contract, all contracts are reviewed by the County Administrator's Office. Contracts in excess of \$25,000 are also reviewed by the County Counsel's Office. Contracts equal to or less than \$25,000 are also reviewed by the General Services Department – Purchasing Division. These monitoring activities relate to the development of a contract document, the legal form, contract financing, and the justification/need for contracted services.***

***The County Administrator's Office also monitors outreach efforts on an ad hoc basis, with semiannual reports on program compliance to the Internal Operations Committee of the Board of Supervisors.***

9. Following is the general workflow for individual professional services contracts with annual expenditures exceeding \$25,000:

New Contracts:

- Department determines need; drafts specifications; identifies vendors; requests proposals, bids and/or negotiates price; selects vendor; and, prepares contract.
- County Counsel reviews contract and supporting materials.
- County Administrator's unit coordinator reviews proposal for consistency with the department's contract practices and budget. Proposed contracts are placed on the Board consent calendar for approval.
- County Administrator's unit coordinator refers approved contracts back to the departments for processing.

Contract Renewals

- Department determines if the vendor met service levels; re-negotiates price; determines need for competitive bid and/or alternative vendor; and, if only minor revisions are required, adds an addendum to the current contract.
- Department, County Counsel and County Administrator process the proposed contract renewals.

**Response: Agree.**

10. The County does not have a requirement that contracts scheduled for renewal must go through a formal request for proposal (“RFP”) or bid process.

**Response: Partially disagree. County policy requires that annual contracts with nonprofit community-based organizations may be renewed for only two additional one-year periods and then must be rebid. This policy does not apply to professional services contracts.**

11. Over 250 professional service vendors received payments exceeding \$25,000 each in at least five of the last six years. The total dollar amount paid to these vendors in 2006 exceeded \$75 million.

**Response: Agree with clarification. The statistics in this finding are from a report produced by the Office of the Auditor-Controller for the Grand Jury on 2310 account expenditures in 2006. Expenditures total \$72,952,549 including approximately \$5 million of payments to other governments, title companies, hospitals and districts. This list does not include vendor payments on behalf of the Hospital or Contra Costa Health Plan (CCHP). If payments to other governments were deleted and Hospital/CCHP payments were added, the finding may be reasonable, if not understated.**

12. Over the past five years, the number of professional services contracts has increased by approximately one-third.

**Response: Disagree. Comparing the report produced by the Office of the Auditor-Controller for the Grand Jury on 2310 expenditures in 2006 to the same report for 2001 (neither of which include the Hospital or CCHP) it cannot be substantiated that over the past five years, the number of professional service contracts has increased by approximately one-third. The number of vendors paid and charged to 2310 is approximately the same, with a slight increase.**

13. One professional services contract has been renewed consecutively over 34 years.

**Response: Agree.**

<b>RECOMMENDATIONS</b>
------------------------

C. Professional Services Contract Renewals

1. The Board of Supervisors and County Administrator should require that all professional services contracts that are scheduled for renewal go through a formal RFP process if they meet the following criteria:
- Vendors under contract for five straight years, or five of the last seven years.
  - Vendor payments exceeding \$25,000 in each of the five years (consideration could be given to a dollar-triggered phase-in period).

Note: 1) Exceptions to the rule might include vendors that provide utility services; educational services (from non-profits); computer software, license, and/or operating system maintenance services; goods and services acquired from other government agencies; equipment maintenance services; and architectural, engineering and related professional services. Other exclusions might include intra- and inter-government support services; 2) The renewal policy would cycle every five years.

***Response: Will be implemented as modified. Guidelines for renewal of professional service contracts will be issued which address the threshold contract amount and time frames that trigger a formal RFP process. Further analysis is required to determine the time frame for implementation.***

2. The RFP process for renewal or extended contracts should include:
  - Developing a comprehensive service description
  - Identifying qualified vendors
  - Preparing a RFP with the level of detail needed depending on the service requirements
  - Ensuring compliance with outreach requirements
  - Issuing a RFP (with the objective of receiving competitive proposals or bids from at least three qualified vendors when possible)
  - Conducting bidder conferences / meetings
  - Evaluating proposals
  - Conducting reference checks
  - Selecting and meeting with the preferred vendors to discuss their proposals
  - Finalizing selection

***Response: Has been implemented as guidelines under the County's policy governing contracting with nonprofits. Will also be implemented as guidelines for bidding for professional services.***

3. RFP exemptions should only apply for emergency situations; e.g., when the health and safety of the public or person in custody or in the care of the County are at risk.

***Response: Will not be implemented. The number of exceptions already identified by the Grand Jury in its Recommendation No. 1 is an indicator of the difficulty with trying to apply broad and sweeping policies across a large and complex organization. The County already has a policy which charges the County Administrator with evaluating and granting requests for exemptions under the outreach policy. This review process has worked well for many years and allows for consideration of unique circumstances.***

4. Establish a policy requiring that all professional services vendors seeking contract renewals be evaluated in writing, based on standardized criteria, to ensure that they have consistently met performance expectations. The evaluation should be included as part of any proposed contract renewal package submitted by department heads.

***Response: Will not be implemented. There is no significant benefit to creating and maintaining this kind of record. Contract managers currently review and evaluate the adequacy of services based on expectations contained in the "Scope of Work." Also, contractors are not employees: termination without cause with 30 days notice is part of every contract.***

5. The County Administrator should request the Auditor to develop and manage a program to select a random sample of qualified contracts to review every two years. Representatives from the County Administrator's Office, County Counsel's Office, and General Services should meet with the Auditor to evaluate the scope,

dollar levels, and RFP procedures, to verify compliance with contracting procedures and to recommend any appropriate changes to improve controls.

*Response: Will not be implemented. The Internal Audit Division of the Office of the Auditor-Controller currently reviews contracts as part of the annual scheduled financial audits of departments.*