



County of Los Angeles
**CHIEF EXECUTIVE OFFICE
OPERATIONS CLUSTER**

WILLIAM T FUJIOKA
Chief Executive Officer

DATE: July 31, 2014
TIME: 1:00 p.m.
LOCATION: Kenneth Hahn Hall of Administration, Room 830

AGENDA

Members of the Public may address the Operations Cluster on any agenda item by submitting a written request prior to the meeting.
Three (3) minutes are allowed for each item.

1. Call to order – Santos H. Kreimann
 - A) **Board Memo – CONTRACT MONITORING, STANDARDS, AND COMPLIANCE WORKGROUP**
CEO – Santos H. Kreimann or designee
 - B) **Board Memo – REPORT BACK ON PROTECTING SENSITIVE PERSONAL AND PUBLIC HEALTH INFORMATION**
CEO – Santos H. Kreimann or designee
 - C) **Talent Management Automation Update**
DHR – Lisa Garrett or designee
2. Public Comment
3. Adjournment



County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
<http://ceo.lacounty.gov>

WILLIAM T FUJIOKA
Chief Executive Officer

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GLORIA MOLINA
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MARK RIDLEY-THOMAS
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ZEV YAROSLAVSKY
Third District
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MICHAEL D. ANTONOVICH
Fifth District

July 21, 2014

TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM: William T Fujioka
Chief Executive Officer

CONTRACT MONITORING, STANDARDS, AND COMPLIANCE WORKGROUP

On April 30, 2013, the Board approved a motion directing the Department of Children and Family Services (DCFS), the Auditor-Controller (A-C), the Chief Executive Office (CEO) and the Treasurer and Tax Collector (TTC) to report back on ways to strengthen the County's oversight of foster family agencies and group homes for dependent children under the supervision of DCFS. In the interim report presented to the Board on June 18, 2013, one of the recommended "Next Steps" was for the CEO to convene a Children and Families' Well-Being (CFWB) Workgroup comprised of the Department of Mental Health (DMH), County Counsel, Internal Services Department (ISD), CEO, A-C, DCFS, TTC, and the Probation Department, to examine existing processes, with the goal of developing objective standards to guide departmental decisions on the following contracting related issues:

1. When to recommend that a contract be terminated for cause or convenience;
2. When to place a contractor on a "Do Not Refer" (DNR) status;
3. When to place a contractor on a "Do Not Use" (DNU) status;
4. When to place a contractor in the Contractor Alert Reporting Database (CARD);
5. Whether a contractor's poor performance with one County department should impact the same contractor's contracting relationship with a different County department; and
6. How County departments should respond to audit reports disclosing fiscal improprieties absent evidence that the improprieties impact other contract deliverables, i.e. child safety.

"To Enrich Lives Through Effective And Caring Service"

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Below are the Workgroup's findings and standards that will be implemented by all impacted departments.

1. When to recommend that a contract be terminated for cause or convenience

While it is virtually impossible to capture every single possible instance and/or combination of questionable contractor practice, the Workgroup created a list of sample criteria or "Triggers" (Attachment 1) to highlight examples of poor contractor performance that should result in a department initiating a contractual remedy. Also included in the attachment is a list of available contractual remedies and a flowchart to assist departments with deciding which remedy is most appropriate as it relates to the severity of a contractor's non-performance. It should be noted that any of the available remedies listed may be imposed by a department for unsatisfactory performance or non-compliance by a contractor, up to and including termination of the contract for cause, and debarment. Each instance must be viewed in context against the unique, specific terms of their signed contract and other factors such as:

- Proposed remedy must be appropriate to the nature of the offense;
- The seriousness of any action is to be determined by the severity or repeated instances of documented non-compliance by the contractor;
- Each action is individualized, based on the documented facts, the specific impact to the department, and be reasonably consistent with remedies imposed in similar situations.

In circumstances where documented non-compliance and/or an egregious incident or situation has occurred that would render the contractor unsuitable for continued contracting with the department, the immediate termination of their contract, for cause, must be considered as well as debarment.

The purpose of the uniform criteria and available remedies list is to provide consistent guidance for contract, program, and administrative staff who are engaged in the monitoring process. The Workgroup agreed that CARD is the best tool to effectively monitor and track poor performing contractors. The A-C is incorporating these new criteria into the CARD manual and will make actual examples of CARD entries and their rationales available on a webpage for all departments to utilize.

The Workgroup has also considered expanding the role of the existing Contractor Hearing Board (CHB) or the Retroactive Contract Review Committee (RCRC), such that in non-emergency situations and at the discretion and request of the department head, the CHB or RCRC could utilize their collective experience and offer a recommendation on whether a contract should be terminated and how (by convenience, by default, etc.).

However, adding another layer of administrative review will further delay the contract termination process, which is usually time sensitive. Therefore, this option is not being recommended.

Unless otherwise instructed, this Office will finalize the list of triggers and contract remedies, then distribute to all departments for implementation.

2. When to place a contractor on a “Do Not Refer” status and;

3. When to place a contractor on a “Do Not Use” status

Both DCFS and Probation are responsible for monitoring and investigating all residential facilities licensed by the Community Care Licensing Division (CCLD) to provide out-of-home care when there are allegations of child abuse, neglect, or exploitation. These facilities include foster family agencies, foster family homes, group homes, small family homes, community treatment facilities, intensive treatment foster care foster family agencies, and other out-of-home care residentially based services.

During the normal course of its monitoring or as the result of an investigation, DCFS or Probation may take action, when necessary, to protect DCFS/Probation-placed children in these facilities, and enforce several consequences, such as a Corrective Action Plan, placing a HOLD on new referrals, or on DNR/DNU status. Staff may make any one of these recommendations or a combination, regardless of whether law enforcement and/or CCLD takes similar action. Attachment 2 contains new DCFS and Probation policy and procedures on when to place contractors on DNR or DNU status.

DCFS is currently developing a three tiered, comprehensive contracting monitoring process for foster care and group homes. The monitoring process will be conducted on an annual basis as part of a comprehensive fiscal, program management and quality assurance review. Similar to the Auditor-Controller, they are also developing a comprehensive audit report that will be shared with both the provider and the Board.

4. When to place a contractor in the Contractor Alert Reporting Database

The CARD was established in 2011 to facilitate the sharing of information by County departments about poorly performing contractors. The CARD manual contains criteria for when to place a contractor in CARD, and is regularly reviewed and revised based on input of multiple County committees, including the Audit Committee. Based on input from the Workgroup, the criteria outlined in the CARD manual were updated to make the system more proactive.

Some of the new CARD provisions are:

- Added a new requirement for departments placing a contractor into CARD to specifically notify other departments that use the contractor.
- Added new requirements for departments to follow-up on CARD placement notifications.
- Revised CARD criteria to clarify instances where the contractor corrected their non-compliance.
- Added guidelines for duplicate CARD entries.
- Added clarification on the impact of a merger/acquisition.

The A-C continues to provide ongoing assistance to County departments to help identify contractors that are CARD-eligible. However, the A-C discovered that some departments were not aware that the use of CARD is mandatory. As a result, the A-C reiterated to all departments that the use of CARD is mandatory, and provided training and guidance for their contract and monitoring staff.

5. Whether a contractor's poor performance with one County department should impact the same contractor's contracting relationship with a different County department

A contractor's poor performance with one County department should be shared with other County departments at the earliest opportunity, and the impacted departments should immediately review the same contractor's performance under their own contracts and if necessary, take proactive steps to protect the County's interest. The Workgroup agreed upon the methods identified in Section 4 for strengthening the early warning capability of the CARD system by improving the communications with all departments pertaining to CARD activity. The A-C has amended their process and now proactively notifies all departments at the beginning of a CARD action for a specific contractor rather than after actual placement into the database. The A-C is also providing to all departments standardized steps to help them review any contracts they might have with a poor performing contractor, to see if there are similar performance issues with their contracts and take appropriate actions.

In addition to the measures listed above, County Counsel created standardized "cross-default" contract language (Attachment 3) to provide the County with the optional ability to cancel all contracts with a contractor. This action is accomplished by linking performance to a vendor rather than to a single poor performing contract. This new measure will provide an additional tool for contract managers to use to improve substandard performance up to the agreed upon contractual terms. For example, if a vendor has five contracts with three separate departments and the performance on one

was critically bad, the County would have the option of cancelling all five contracts for cause. It is anticipated that the expanded leverage created by this clause will encourage poor performing contractors to expeditiously address any performance related issues. This contract clause will be in addition to standard contract remedies, the CARD notification process, and the County debarment process.

6. How County departments should respond to audit reports disclosing fiscal improprieties absent evidence that the improprieties impact other contract deliverables, i.e. child safety

The Workgroup agreed all departments should review and investigate any contractor who receives a poor fiscal audit, and develop a Corrective Action Plan to rectify the deficiencies. Additionally, contractors must be placed on CARD for any findings that meet the CARD criteria. For severe irregularities or potential illegal fiscal management, all remedies up to and including termination must be explored by each department.

Additional Recommendations

During this process, the Workgroup also identified several other issues outside the scope of the initial review. One was the need for stronger contract wording to enable departments to proactively collect funds from poor performing contractors. As a result, new collection language was drafted for use in future contracts by County Counsel and TTC (Attachment 4) and additional guidelines were drafted by Community and Senior Services for use in all future Workforce Investment Act contracts (Attachment 5).

The Workgroup identified building the capacity of all departments to effectively monitor their contracts as a key issue to improving contractual oversight. Currently, ISD, A-C and County Counsel provide an excellent four-hour monitoring training module that is part of a two-day contract managers training (Attachment 6). The two-day contract managers training is conducted quarterly. In addition, since September 2013, the A-C provided fiscal monitoring and contract-compliance training to 248 County employees and 155 DCFS contractors. The A-C also has been actively assisting DCFS to establish a Fiscal Assessment Unit and is providing specialized training to staff on using assessment tools that were developed for their departmental operations.

Finally, the A-C and ISD understood there was an increased demand from departments to have appropriately trained staff to conduct monitoring. In response, they have designed a comprehensive 32-hour Contract Monitoring Certification Program to develop the skills of departmental fiscal, contract, and program staff to perform routine monitoring (Attachment 7) and will incorporate the triggers and remedies identified in

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Section 1. The Certification training will be available for all departments to attend starting in July 2014.

If you have any questions, please feel free to contact Santos H. Kreimann at (213) 974-1186 or at skreimann@ceo.lacounty.gov .

WTF:SHK:SAW:cg

Attachments

c: Executive Office, Board of Supervisors
County Counsel
Auditor-Controller
Children and Family Services
Internal Services
Mental Health
Probation
Treasurer and Tax Collector

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EXAMPLES OF CONTRACTOR NON-COMPLIANCE OR UNSATISFACTORY PERFORMANCE	
GENERAL CONTRACTS	
Payment	
1	The Contractor owes the County for overpayments and/or questioned costs and has not entered into a repayment agreement.
2	The Contractor owes the County for overpayments and/or questioned costs and has been referred to the Treasurer and Tax Collector for collection.
3	The Contractor owes the County for overpayments and/or questioned costs and has not repaid the Treasurer and Tax Collector by the requested date.
4	The Contractor owes the County for overpayments and/or questioned costs and has not repaid the Treasurer and Tax Collector by six months of the requested date.
Compliance	
5	The contractor has not taken the appropriate steps to correct significant instances of contract non-compliance in a timely manner resulting from a County audit or monitoring report.
6	The contractor has not responded to a County issued corrective action plan by the requested date.
7	The contractor has not responded to a County issued corrective action plan by six months of the requested date.
8	The County has imposed contractual remedies against the contractor for noncompliance with the County contract requirements.
9	The contractor fails to keep appropriate records and documentation of work performed.
10	The contractor is performing contractually obligated work without adequate staffing levels or qualifications.
11	The contractor fails to provide documents requested during monitoring (programmatic, administrative, financial).
12	The contractor fails to documents during an audit.
13	The contractor receives a negative findings in a financial, administrative or programmatic audit or monitoring.
14	The contractor has disallowed costs.
15	The contractor has undocumented costs.
16	The contractor lacks contract required insurance.
17	The contractor is providing poor or substandard program services.
Contractor Issues (Owner, Principals, etc)	
18	The contractor has committed an act or omission with negatively reflects on the Contractor's quality, fitness or capacity to perform a contract with the County, any other public entity, or a nonprofit corporation created by the County, or engaged in a pattern or practice which negatively reflect on same.
19	The contractor has committed an act of omission which indicates lack of business integrity or business honesty
20	The contractor has made or submitted a false claim against the County or any public entity
21	The contractor and/or their principal owners are currently debarred by other governmental entities.
22	The contractors has filed for bankruptcy.
23	The contractor has lost or had contractually required licenses revoked.
24	The contractor has failed to pay payroll or any other tax owed to a public entity.
25	The contractor has failed to pay payroll taxes on behalf of their employees.
26	The contractor has been assessed fines by a public entity.
27	The contractor has been assessed penalties by a public entity.
28	The contractor has any financial viability concerns.
FOSTER CARE CONTRACTS	
29	Behavior or Mental Health incident that adversely affects the physical health, mental health, emotional health, educational well-being or safety of a child.
30	Injury, illness or an accident that results in medical treatment by a health care professional beyond routine medical care, with the exception of planned surgery
31	Unauthorized absence of a child without the permission and supervision of the caregiver which threatens the physical health, emotional health, or safety of the placed child youth.
32	Child abuse – All personnel are required by law to report known, suspected, or alleged incidents of child abuse
33	Significant change in a group home or any change in agency's operations which impacts services to children.

Actions/Remedies Available to County Departments

When monitoring contract compliance, departments have several options to address contract violations, non-compliance, or performance issues. Severity, frequency, mitigating factors, type of services provided, and the effect that the action will have on the County must all be carefully reviewed and evaluated to identify the most appropriate course of action. The following actions/remedies are available to departments. Departments can utilize some or all of the steps below, based on the nature of the severity of the contract violation, non-compliance or performance issue.

Formal letter

This is a formal letter from the department to the vendor outlining the violation, non-compliance or performance issue. The letter should provide the vendor with a date on which the vendor must respond with solutions to the matters addressed by the County. The letter should also notify the vendor of the possible escalation of actions or remedies that the County may take.

Contract Deficiency Report (CDR)

A CDR is typically sent to a contractor to notify the contractor of a contract violation, non-compliance, or poor performance. The CDR requires that a contractor respond to a specific incident(s), provide a Corrective Action Plan (CAP) to ensure the incident does not reoccur or escalate, and the possibility of the assessment of liquidated damages.

Assessment of Liquidated Damages

Liquidated damages are assessed based on the terms/provisions in the contract. This can be done after a CAP is received and deemed non-responsive or unacceptable, if CAP actions are not completed, and/or after CAP actions are completed without resolving the contract non-compliance or violation.

Contractor Alert Reporting Database (CARD)

CARD is a system to report and track poorly performing contractors. The CARD User Manual which provides instructions on the criteria and process for entering contractors onto CARD can be found at http://file.lacounty.gov/auditor/portal/cms1_163517.pdf.

Non-Renewal

Departments may have options to not renew a contract based on the contract terms. Some contract terms have extension option years where the County has the sole discretion to exercise while others have mutually agreed upon extension option years. There are also contracts that have continuous contract terms. In these instances, the option is to terminate for convenience or cause.

Termination

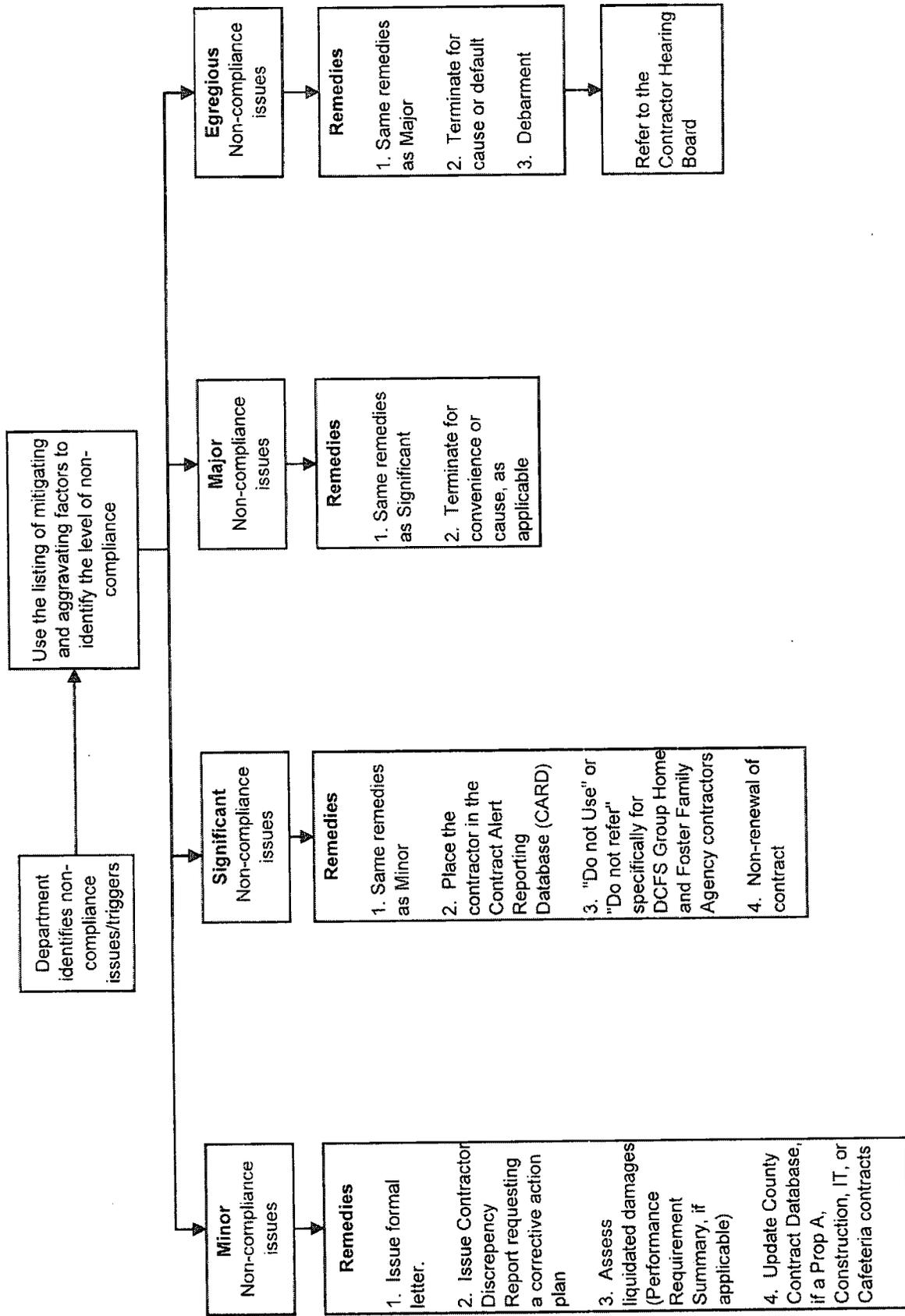
Departments can seek Board approval to terminate a contract for several reasons. All contracts have termination provisions. Some have specific processes outlined for specific types of terminations. Departments should consult with their County Counsel to identify the most appropriate termination provision to pursue. Examples of reasons for terminations are for Convenience, Default, Insolvency, Non-Appropriation of Funds, Non-Adherence of County Lobbyist Ordinance, and Improper Consideration. Contracts may have other types of termination provisions.

Debarment

The County's debarment policy and guidelines provide criteria and the process to debar a contractor. The debarment results in the contractor being prohibited from bidding on or being awarded County contracts for a specific period of time. The debarment period is based on documentary evidence presented to the Contract Hearing Board (CHB). The CHB hears and considers both the County's and contractor's perspective on the actions leading to the debarment recommendation. The Debarment Implementation Guidelines can be found at

http://purchasingcontracts.co.la.ca.us/Debarment_Implementation_Guideines_07-22-10.pdf.

AVAILABLE REMEDIES TO ADDRESS CONTACTORS' NON-COMPLIANCE OR UNSATISFACTORY PERFORMANCE



**Procedure for Placement of Out- of- Home Placement Contractor
on Do Not Refer or Do Not Use**

POLICY/BACKGROUND STATEMENT

The County of Los Angeles Department of Children and Family Services (DCFS) and the Probation Department (Probation) are responsible for monitoring and investigating, as a whole, all residential facilities licensed by Community Care Licensing Division (CCLD) to provide out-of-home care when there are allegations of child abuse, neglect or exploitation. These facilities include foster family agencies, foster family homes, group homes, small family homes, community treatment facilities, intensive treatment foster care foster family agencies and other out-of-home care residentially based services

During the normal course of its monitoring or as the result of an investigation, DCFS or Probation may take action, when necessary, to protect DCFS/Probation-placed children in these facilities, and enforce several consequences, such as a Corrective Action Plan (CAP), placing a HOLD on new referrals, or "Do Not Refer/Use" (DNR/DNU) status. Staff may make any one of these recommendations or a combination, regardless of whether law enforcement and/or CCLD takes similar action.

In addition to quality monitoring provided by DCFS and Probation, the County Auditor-Controller provides an Ombudsman's office for children and youth placed in Group Homes, and Group Homes are subject to quality monitoring from the Sybil Brand Commission.

The Office of the Auditor-Controller is also responsible for fiscal audits of the out-of-home placement contracts, and for the completion of administrative fiscal reviews and providing technical assistance to DCFS and Probation on their fiscal monitoring and reviews of the out-of-home placement contractors. The County Auditor-Controller also provides fiscal training to DCFS and Probation and to the out-of-home placement and other County/DCFS/Probation contractors.

The County Treasurer and Tax Collector supports DCFS by collecting any amounts owed by out-of-home placement contractors as either overpayments or disallowed payments discovered upon completion of fiscal reviews, audits or follow-ups.

APPLICABLE TO

This policy applies to DCFS and Probation employees involved with the management and monitoring of out-of-home placement contracts (also known as Program Managers or Contract Monitors, Out-of-Home Management Division, Probation's Placement Permanency & Quality Assurance (PPQA) Group Home Monitors, and Contracts Administration Division staff) of both departments.

OPERATIONAL IMPACT

At minimum, the DCFS Director, the Chief Probation Officer, or DCFS Chief Deputy or Probation Deputy Chief designee should approve placement of all Contractors on either Do Not Refer (DNR) or Do Not Use (DNU) status.

**Procedure for Placement of Out- of- Home Placement Contractor
on Do Not Refer or Do Not Use**

Before recommending placing a contractor on DNR or DNU, DCFS and Probation must assess the circumstances and determine if Child Safety is an immediate issue. Depending on the nature and severity of the issue or finding, the Department may recommend and proceed with placing a contractor on either DNR or DNU with or without progression, if corrective action or due process is not necessarily required, or the severity of the incident or finding makes a progressive process a possible deterrent to ensuring child or youth safety.

For those circumstances or serious incident(s) where the contractor may be provided with an opportunity to correct the issue(s) in a reasonable amount of time, a Corrective Action Plan (CAP) is requested and the contractor is not placed on Hold, DNR or DNU.

Serious Incidents are defined as those incidents outlined in the California Code of Regulations Title 22, Sections 80061, 84061, and 84361(a); the Los Angeles County Foster Family Agency and Group Home contracts; and the Los Angeles County Department of Mental Health (DMH) Special Clinical Incident Reporting instructions, per DMH Policy #202.18 and as specified in the attached Serious Incident reporting guides (Attachments I and II). A few examples of serious incidents are:

BEHAVIORAL/MENTAL HEALTH INCIDENT – Incident that adversely affects the physical health, mental health, emotional health, educational well-being or safety of a child.

Assaultive Behavior (Caregiver)	Seclusion
Assaultive Behavior (Peer)	Self-Injurious Behavior
Assaultive Behavior (Other)	Substance Abuse
Inappropriate Sexual Behavior	Suicidal Ideation
Medical Related	Suicide Attempt
Physical Restraint	Theft
Police Involvement	
Property Damage	

INJURY, ILLNESS OR ACCIDENT – Incident that results in medical treatment by a health care professional beyond routine medical care, with the exception of planned surgery. *If in doubt, report or call the required agency for clarification.*

Incident **may include, but is not limited to**, the following examples:

Accident	Hospitalization (Medical or Psychiatric)
Illness	Injury

DEATH

**Procedure for Placement of Out- of- Home Placement Contractor
on Do Not Refer or Do Not Use**

UNAUTHORIZED ABSENCE – Absence of a child without the permission and supervision of the caregiver which threatens the physical health, emotional health, or safety of the placed child youth.

Incident **may include, but is not limited to**, the following examples:

- Abduction
- Runaway

CHILD ABUSE – *All personnel are required by law to report known, suspected, or alleged incidents of child abuse as defined in Penal Code Sections 11165-11174.4.*

Incident **may include, but is not limited to**, the following examples:

- Neglect (including medical neglect)
- Physical – an injury purposefully inflicted upon a minor (including corporal punishment and willful cruelty or infliction of unjustifiable pain or punishment)
- Sexual (including sexual assault, sexual exploitation through pornography or prostitution, sexual activity between minors, and sexual activity between an adult and a minor)
- Verbal/Emotional

AGENCY EMERGENCY/DISASTER – Incident that involves the community or physical plant and may have a serious impact on residents or create a potentially dangerous environment.

Incident may include, but is not limited to, the following examples:

- Earthquake Damage
- Epidemic
- Explosion
- Fire
- Flood

SIGNIFICANT CHANGE IN GROUP HOME – Change in agency's operations which impacts services to children. **These incidents must be reported per the requirements in the California Code of Regulations Title 22, Sections 80061 and 84061.**

Incident may include, but is not limited to, the following examples:

- Administration (e.g., Chief Executive Officer, FFA/ Adoption or Group Home Program Administrator)

**Procedure for Placement of Out- of- Home Placement Contractor
on Do Not Refer or Do Not Use**

- Mailing Address
- Plan of Operation
- Staffing disruption (e.g., strike or staff shortage)

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**Procedure for Placement of Out- of- Home Placement Contractor
on Do Not Refer or Do Not Use**

For significant findings uncovered in the normal course of monitoring or as a result of investigations of abuse/neglect in out-of-home care, significant findings in audits of program or fiscal contract requirements or in circumstances or a serious incident (s) where a request for a Corrective Action Plan (CAP) is not sufficient, and when DCFS or Probation determine the CONTRACTOR has engaged in conduct which may jeopardize the safety or well-being of a child or children, DCFS and Probation may utilize one or more of the following actions:

Do-Not-Refer (DNR) Status - DNR refers to the suspension of new DCFS/Probation placements when COUNTY reasonably believes, in its sole discretion, based on prima facie evidence that the CONTRACTOR has engaged in conduct which may jeopardize a child or children; there has been a serious event that may implicate the CONTRACTOR in issues of abuse or neglect; there is serious risk of abuse or neglect; or in issues of noncompliance with significant administrative/fiscal/ programmatic requirements of this Agreement for which the CONTRACTOR failed to take corrective action when appropriate and or requested.

Do-Not-Use (DNU) Status - DNU means that all Placed Children are removed from the CONTRACTOR's care within a specified period of time. No placement referrals may be made to the facility. Do-Not-Use Status is used when COUNTY reasonably believes, in its sole discretion, based upon prima facie evidence, that the CONTRACTOR has engaged in conduct which may jeopardize a minor or minors; there has been a serious event that may implicate the CONTRACTOR in issues of abuse or neglect; there is serious risk of abuse or neglect; or in issues of noncompliance with significant administrative/fiscal/programmatic requirements of this Agreement for which the CONTRACTOR failed to take corrective action (when appropriate and or requested).

DNR/DNU Placement Procedures

1. A Vendor Notification Letter is sent, via fax and certified mail, within 72 hours of DCFS' decision to place CONTRACTOR on Hold, DNR or DNU Status, and verbal notification will be provided prior to or at the time of CONTRACTOR placement on Hold/DNR/DNU Status to the extent possible. To the extent possible and reasonable, and without interfering with any law enforcement investigation, and consistent with statutes and regulations related to confidentiality, notification will include the reason(s) for the Hold/DNR/DNU Status. The Vendor Notification Letter will also invite the CONTRACTOR to participate in a Review Conference and include a deadline for the CONTRACTOR's response (desire to participate) within 5 business days. Failure by the CONTRACTOR to respond by the deadline will result in default or waiver by the CONTRACTOR to proceed with the Review Conference.
2. During the Review Conference, the CONTRACTOR will meet with the Director's Deputy Director designee to discuss the investigative and/or administrative findings and to provide an opportunity for the CONTRACTOR to respond to the findings. The Review Conference will be held within 30 days of CONTRACTOR's receipt of faxed

**Procedure for Placement of Out- of- Home Placement Contractor
on Do Not Refer or Do Not Use**

Vendor Notification Letter of placement on Hold/DNR/DNU Status, unless CONTRACTOR waives the time limit. The Review Conference is provided to ensure that the CONTRACTOR is afforded a process for responding to allegations against them and for airing their grievances.

One week prior to the then scheduled Review Conference, the CONTRACTOR has the right to present written evidence in the form of relevant declarations, affidavits, and documents and a written statement intended to be presented during the Conference. The CONTRACTOR may also request that DCFS interview any witnesses identified by the CONTRACTOR who have not already been interviewed.

3. The Director's Deputy Director designee will conduct the Review Conference. DCFS and CONTRACTOR will both have the opportunity to present information related to the findings and each will be able to question the other with respect to each finding. Information provided by DCFS during the conference must be consistent with confidentiality laws. The CONTRACTOR may choose to seek authorization from the Juvenile Court to access additional documentation and information pertaining to the allegations, and to use such documentation and information during the Review Conference. [The authorization/approval must be in writing from the Court.] DCFS will consider any new information presented in the CONTRACTOR's written statement and information presented during the Conference.

Consistent with the informal and non-adversarial atmosphere of the review Conference, CONTRACTOR and COUNTY agree that only appropriate CONTRACTOR personnel and appropriate DCFS personnel shall participate in the Review Conference; and legal representatives shall not be present at the Review Conference.

4. The DCFS Director's designee will assess the information presented by the CONTRACTOR and make a final determination whether to withdraw the recommendation or to consult with others within DCFS with regard to the intended recommendation. This determination will be put in writing and provided to CONTRACTOR within 15 business days of the Conference.
5. DNR, or DNU Status may be lifted at any time that DCFS obtains information which leads DCFS to believe that:
 - a) the original basis for imposing such status is no longer applicable, or
 - b) DNR, or DNU status is no longer appropriate.

Instances where DNR/DNU Status no longer applies, DCFS shall act as expeditiously as possible to remove CONTRACTOR from such status.

**Procedure for Placement of Out- of- Home Placement Contractor
on Do Not Refer or Do Not Use**

PROCEDURES

A. WHEN: A CONTRACTOR HAS BEEN IDENTIFIED AS, OR IS SUSPECTED OF, NEEDING TO BE PLACED ON DO NOT REFER OR DO NOT USE

Program Manager's Responsibilities:

DCFS and the Probation Departments internal process requires Program Managers to monitor their contracts to ensure that contractors are performing at or above a level that is consistent with the terms and conditions of the contract and County contracting standards. If a Program Manager suspects that a contractors underperforming, out of compliance with the contract, or an incident has occurred that leads to a consideration of a recommendation to place the Contractor on Do Not Refer or on Do Not Use they must submit a recommendation to receive their Deputy Director's approval and include Contracts Administration Division in the notification process, and at any applicable Review Conferences.

1. The contractor has not taken the appropriate steps to correct significant documented instances of contract noncompliance in a timely manner.

B. WHEN: SUPPORTING DOCUMENTATION CONFIRMS A CONTRACTOR IS UNDER-PERFORMING, OUT OF COMPLIANCE WITH THE CONTRACT, OR OTHERWISE NEEDING A RECOMMENDATION FOR DO NOT REFER OR DO NOT USE

Contracts Administration Division's Responsibilities:

Participate in the Review Conferences, ensure the applicable contract provisions and notice requirements are timely completed. Ensure copies of all Do Not Refer and Do Not Use documentation is included in the applicable contract files.

C. WHEN: DEVELOPING NEW CONTRACTS AND NEW SOLICITATIONS

Contracts Administration Division's Responsibilities:

Contracts Administration Division must include appropriate quality measures on placement of Out-of-Home Placement Contractors on Do Not Refer and Do Not Use status are included in the requirements for appropriate and applicable solicitations.

**Procedure for Placement of Out- of- Home Placement Contractor
on Do Not Refer or Do Not Use**

APPROVAL LEVELS

Status	Approval
Placement on Do Not Refer	Deputy Director
Placement on Do Not Use	Deputy Director

DRAFT

**DRAFT CROSS-DEFAULT PROVISION
FOR THE
SAMPLE CONTRACT MAINTAINED BY THE
INTERNAL SERVICES DEPARTMENT**

8.4 TERMINATION FOR DEFAULT UNDER ANOTHER COUNTY CONTRACT

8.4X.1 Subject to sub-paragraph 8.4X.2, the County shall, by written notice to the Contractor, terminate the whole or any part of this Contract, either immediately or within such longer period of time as specified by the County in the notice if, in the judgment of the County's Project Director, in such person's sole discretion, Contractor has one or more other contracts with the County, and either: (1) County has terminated any of those other contracts due to Contractor's default, or (2) County has issued a notice of its intent to terminate any of those other contracts due to Contractor's default.

- (i) Whenever the Contractor enters into a contractual agreement with the County, subsequent to the date on which County and Contractor entered into this Contract, the Contractor shall notify the County's Project Director, in writing, of the new contractual agreement between the County and the Contractor. Contractor shall provide this written notification to the County's Project Director not later than five (5) working days of the formation of that contractual agreement, and time shall be of the essence as to this provision. The failure of the Contractor to timely provide such written notification shall constitute a material breach of this Contract, as described in sub-paragraph 8.43.1.

- (ii) Additionally, the Contractor shall notify the County, in writing, of the occurrence of either of the events described in sub-paragraph 8.4X.1. Contractor shall provide this written notification to the County not later than one (1) working day of the occurrence of such event, and time shall be of the essence as to this provision. The failure of the Contractor to timely provide such written notification shall constitute a

material breach of this Contract, as described in subparagraph 8.43.1.

- (iii) County and Contractor agree that all contracts between the Contractor and the County, as well as any documents which reflect termination for default or notice of intent to terminate for default are incorporated by reference into this Contract for purposes of determining whether either of the events described in subparagraph 8.4X.1 have occurred. Consequently, County and Contractor agree that none of the aforementioned documents shall constitute parol evidence for purposes of this Contract and all such documents may be entered into evidence to demonstrate that either of the events described in subparagraph 8.4X.1 have occurred.

8.4X.2 If County Project Director determines, in its sole discretion, that any of the events described in sub-paragraph 8.4X.1 have occurred, County shall notify Contractor, in writing, of this determination. Thereafter, Contractor shall have not more than the applicable time period, if any, specified in this Contract with respect to such event to cure such event, or such longer period as specified by County in the notice. If no time period is specified in this Contract with respect to such event, Contractor shall have not more than five (5) working days to cure such event, or such longer period as specified by County in the notice. County's Project Director, in such person's sole discretion, shall determine whether or not Contractor has cured such event. Nothing in this sub-paragraph 8.4X.2 shall in any way limit or modify any rights of County or obligations of Contractor relating to timely performance by Contractor as otherwise set forth in the Contract.

8.4X.3 In the event County terminates this Contract under sub-paragraph 8.4X.1, then County's rights and remedies shall be the same as if County has terminated this Contract for default under sub-paragraph 8.43 (Termination for Default).

8.49 WAIVER

8.49.1 The County may, in its sole discretion, waive the application of any provision of this Contract or any breach of any provision of this Contract. Any such waiver shall be in writing, signed by an authorized representative of the County.

- 8.49.2 The Director may, in such person's sole discretion, waive the application of sub-paragraph 8.4X (Termination for Default Under Another County Contract) in accordance with sub-paragraph 8.49.1, if the Director determines, in such person's sole discretion, that the Department has a legitimate business purpose for waiving the application of such provision.
- 8.49.3 No waiver by the County of any application of any provision of this Contract or any breach of any provision of this Contract shall constitute a waiver of any other breach or of such provision. Failure of the County to enforce at any time, or from time to time, any provision of this Contract shall not be construed as a waiver thereof. The rights and remedies set forth in this sub-paragraph 8.49 shall not be exclusive and are in addition to any other rights and remedies provided by law or under this Contract.

The TTC recommends that the following be added to the DCFS FFA and Group Home Contracts.¹

I. Under Section 21.0 CONTRACT ENFORCEMENT, OUT-OF- HOME CARE MANAGEMENT, MONITORING AND REVIEW:

21.5 In the event CONTRACTOR has been issued an overpayment notice of action, CONTRACTOR's due process rights under State law has been exhausted and the amount of the identified overpayment has been referred to the County of Los Angeles Treasurer Tax Collector ("TTC") for collection of the identified overpayment, CONTRACTOR shall, upon the TTC's request, provide to the TTC a current audited financial statement or other financial documents acceptable to the TTC. The current audited financial statement, or other documents acceptable to the TTC, shall be used by the TTC to collect the identified overpayment in a manner consistent with applicable State law, which includes, but is not necessarily limited to California Department of Social Services Manual of Policies and Procedures section 45-304, et seq. CONTRACTOR agrees that it is required to repay, dollar for dollar, the entire amount of any identified overpayment, in a timely manner consistent with applicable State law.

21.6 It is further agreed that the CONTRACTOR may become subject to legal action for breach of this contract and in such event it agrees to pay the court costs, the expenses for the enforcement of the judgment, and attorney fees.

II. Where appropriate:

00.0 WAIVER OF STATUTE OF LIMITATIONS

00.1 COUNTY and CONTRACTOR are aware of the applicable statutes of limitations which may apply to actions arising out of this Contract. Those statutes of limitation include, but are not necessarily limited to, California Welfare and Institutions Code section 11466.24 and Code of Civil Procedure section 337.

00.2 CONTRACTOR agrees to waive application of any statute of limitation which may apply to any action by COUNTY against CONTRACTOR arising under this Contract or because of CONTRACTOR's breach of a term or condition of this Contract. CONTRACTOR further agrees to waive any laches defense against the COUNTY.

///

¹ The citations to contract sections contained in this document refer to the DCFS and Probation Group Home Foster Care Services Master Agreement. Substantially similar provisions can be found in the DCFS Foster Family Agency Foster Care Services Master Contract, but they will have different section numbers. Consequently, care should be given to incorporate the changes at the proper location within each contract.

00.3 COUNTY and CONTRACTOR agree that an overpayment identified in a COUNTY audit of services rendered pursuant to this Contract would constitute identification of money illegally obtained from the COUNTY and consequently, the constraints forth in Code of Civil Procedure section 360.5 do not apply to this waiver of statute of limitations.

NEW WIA CONTRACT LANGUAGE FOR CSS CONTRACTS

New contract provisions for Workforce Investment Act funding streams will be included in all future Request for Proposals (RFP) to improve the accountability of WIA contractors and to reduce the risk to the County of having to repay the State for funding that has been paid to contractors who are later found to have disallowed costs. Specifically, the following measures will be added to future RFP's and contracts:

1. We are requiring proposers to submit a \$2,000 Proposal Guaranty with their response in one of the formats approved by the Auditor-Controller (A-C). The Proposal Guaranty requires them to adhere to all the contract provisions if they are selected to be awarded a contract. This is fully refundable to all proposers after contracts have been awarded.
2. We are requiring that recommended contractors provide a Payment Guaranty of a set percentage of the annual contract amount (equal to 2 or 3 months of the contract amount) in one of the A-C approved formats prior to starting the contract. This provides a mechanism to ensure that third-party vendors will be paid for services rendered to our contractors. This will remain in effect for the duration of the contract and would either be refunded or cancelled at the end of the contract close out.
3. Similarly, we are requiring that recommended contractors provide a Performance Guaranty of a set percentage of the annual contract amount (equal to either 2 or 3 months of the annual contract amount) . This provides a mechanism to ensure that the County will have a funding source to repay the State for unsubstantiated amounts instead of using Net County Cost funding to do so. This will remain in effect for the duration of the contract and would either be refunded or cancelled at the end of the contract close out.

Additionally, each RFP will advise contractors that a Performance Requirements Summary (PRS) will be added to their contract(s) when up for renewal. The PRS will include financial disincentives for not adhering to the contract's performance and/or administrative requirements. The County will also state in the RFP that it retains the right, with 90 day notice, to increase the % of the guaranties for the next contract period at the time of renewal.

Contract Monitoring

- Contractor compliance
- Contractor's performance
- Department's adherence to contract



Types of Contract Monitoring

- Administrative
- Fiscal
- Program (Service Delivery) Monitoring



Administrative Monitoring



- Standard terms (e.g. jury service)
- Not exceeding original contract amount
- Timely contract renewals or extensions
- Contract amended when appropriate
- Living Wage monitoring (Prop “A” Contracts)
- Insurance, licenses, certifications, and permits are current
- Verify background/security clearances
- Subcontractors being monitored

Common Areas of Administrative Non-Compliance



- Insurance, licenses, certifications, permits
- Subcontracting
- Background clearances

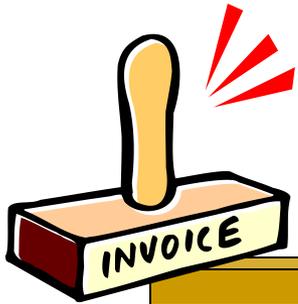
Example Insurance Certificate

ACORD CERTIFICATE OF LIABILITY INSURANCE						DATE (MM/DD/YYYY) 5/27/2010	
PRODUCER (818)224-6100 FAX: (818)224-6099 C. M. Meiers Company, Inc. 21045 Califa Street, Suite #100 Woodland Hills CA 91367				THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.			
INSURED				INSURERS AFFORDING COVERAGE		NAIC #	
[REDACTED]				INSURER A: Philadelphia Indemnity		18058	
[REDACTED]				INSURER B:			
[REDACTED]				INSURER C:			
[REDACTED]				INSURER D:			
[REDACTED]				INSURER E:			
COVERAGES							
THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. AGGREGATE LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.							
INSR	ADD'L	TYPE OF INSURANCE		POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YYYY)	POLICY EXPIRATION DATE (MM/DD/YYYY)	LIMITS
LTR	INSRPT						
A	X	GENERAL LIABILITY <input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS MADE <input checked="" type="checkbox"/> OCCUR		PHPK575076	6/1/2010	6/1/2011	EACH OCCURRENCE \$ 1,000,000 DAMAGE TO RENTED PREMISES (EA OCCURRENCE) \$ 100,000 MED EXP (Any one person) \$ 5,000 PERSONAL & ADV INJURY \$ 1,000,000 GENERAL AGGREGATE \$ 3,000,000 PRODUCTS - COMP/OP AGG \$ 3,000,000
		GEN'L AGGREGATE LIMIT APPLIES PER: <input checked="" type="checkbox"/> POLICY <input type="checkbox"/> PRO. <input type="checkbox"/> LOC					
A	X	AUTOMOBILE LIABILITY <input checked="" type="checkbox"/> ANY AUTO <input checked="" type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input checked="" type="checkbox"/> HIRED AUTOS <input checked="" type="checkbox"/> NON-OWNED AUTOS		PHPK575076	6/1/2010	6/1/2011	COMBINED SINGLE LIMIT (EA accident) \$ 1,000,000 BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$
		GARAGE LIABILITY <input type="checkbox"/> ANY AUTO					AUTO ONLY - EA ACCIDENT \$ OTHER THAN EA ACC \$ AUTO ONLY: AGG \$
A		EXCESS/UMBRELLA LIABILITY <input checked="" type="checkbox"/> OCCUR <input type="checkbox"/> CLAIMS MADE <input checked="" type="checkbox"/> DEDUCTIBLE RETENTION \$ 10,000		PHOB308775	06/01/2010	06/01/2011	EACH OCCURRENCE \$ 1,000,000 AGGREGATE \$ 1,000,000 \$ \$
		WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? If yes, describe under SPECIAL PROVISIONS below					<input type="checkbox"/> WC STATUTORY LIMITS <input type="checkbox"/> OTHER
A		OTHER Professional Liab		PHPK375076	6/1/2010	6/1/2011	E.L. EACH ACCIDENT \$ E.L. DISEASE - EA EMPLOYEE \$ E.L. DISEASE - POLICY LIMIT \$ EACH OCCURRENCE \$1,000,000 AGGREGATE \$3,000,000

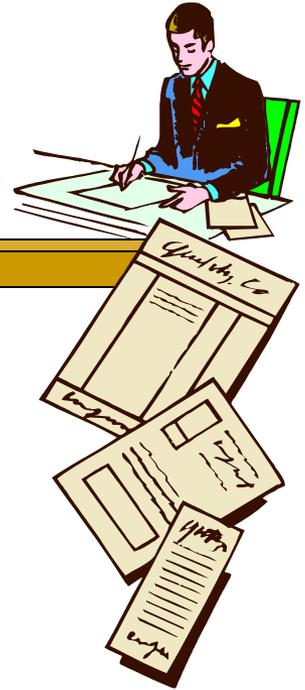
Subcontracting

➤ County contracts state:

- ✓ “The requirements of this Contract may not be subcontracted by the CONTRACTOR without the **advance written approval** of the COUNTY. Any attempt by the CONTRACTOR to Subcontract without the prior consent of the COUNTY may be deemed a material breach of this Contract.”
- ✓ “CONTRACTOR shall remain **fully responsible for all performances** required of it under this Contract, including those **that CONTRACTOR has determined to Subcontract**, notwithstanding the COUNTY’S approval of the CONTRACTOR’S proposed Subcontract.”



Fiscal Monitoring



- Invoice processing
 - ✓ Supporting documentation included?
 - ✓ Were the services provided?
 - ✓ Billed amounts agree with the contract?
- Cost-reimbursement contracts
- Audited financial statements

Example: Fiscal Monitoring

RANCHO LOS AMIGOS NATIONAL REHABILITATION CENTER

SODEXO OPERATIONS, LLC DIETARY CONTRACT

CONTRACTOR'S MONTHLY BUDGET AND COUNTY'S CHARGE SCHEDULE

To deliver 38,001 - 44,000 meals per month

Labor Costs	\$189,529
Raw Food Costs	\$104,980
Materials, services and supplies	\$19,039
Equipment, Maintenance and Repair Costs	\$1,592
Other Expenses	\$21,937
Sales Tax Liability	\$584
A. Contractor's Basic Monthly Charge	\$337,661
B. Special Function Meals	\$7,872
Incidental Supplies	\$1,462
Tube Feedings	\$9,150
Contractor's Monthly Budget	\$356,145
Incremental Meal Credits	(\$2.09)
Incremental Meal Fee	\$2.09

Example: Fiscal Monitoring

SODEXO, INC & AFFILIATES

BILL TO: Rancho Los Amigos Med Center
7601 E. Imperial Hwy
Downey, CA 90242
ATTN: Cheryl Guinn

INVOICE

MAKE CHECK PAYABLE TO:

SERVICES RENDERED TO: Rancho Los Amigos Medical Ctr
7601 E. Imperial Hwy
SSA #1131
Downey, CA 90242

SODEXO, INC & AFFILIATES
DEPT. 43283
LOS ANGELES, CA 90088-3283

TERMS	SDX A/R NUMBER	UNIT NUMBER	INVOICE DATE	INVOICE NUMBER
Net30	41031	91056001	02/01/2011	242970
DESCRIPTION	CUSTOMER REF.	AMOUNT	SALES TAX	TOTAL
Services for 01/01/2011 through 01/31/2011 General Support Services Fee:	70121010	\$337,661.00		\$337,661.00
Cafe Credit	70011280	\$4,640.07-		\$4,640.07-
Meal Rebate	70891130	\$41,122.84-		\$41,122.84-
Invoice has been reviewed Hours are accurate				
		INVOICE TOTAL	\$291,898.09	\$291,898.09

'11 FEB 15

Example: Fiscal Monitoring

MONTHLY PATIENT MEAL COUNT

National Rehabilitation Center

FOR THE MONTH OF:

January-11

PATIENT AREA	SAT	SUN	MON	TUES	WED	THUR	FRI	WK 1	SAT	SUN	MON	TUES	WED	THUR	FRI	WK 2	SAT	SUN	MON	TUES	WED	THUR	FRI	WK 3	SAT	SUN	MON	TUES	WED	THUR	FRI	WK 4	SAT	SUN	MON	WK 5	GRAND	
	1/1	1/2	1/3	1/4	1/5	1/6	1/7	TOTAL	1/8	1/9	1/10	1/11	1/12	1/13	1/14	TOTAL	1/15	1/16	1/17	1/18	1/19	1/20	1/21	TOTAL	1/22	1/23	1/24	1/25	1/26	1/27	1/28	TOTAL	1/29	1/30	1/31	TOTAL	TOTAL	
101	6	6	6	11	14	14	20	77	8	9	10	15	9	9	15	76	6	6	6	6	12	3	5	44	2	3	4	9	8	10	16	52	12	12	9	33	282	
102	23	27	27	35	42	42	47	203	47	45	40	39	20	31	24	256	36	36	36	33	37	47	44	284	30	21	20	28	42	35	37	213	37	39	41	117	1093	
903	57	57	57	58	54	54	54	391	51	54	53	53	54	54	54	378	48	48	48	48	45	51	54	342	57	57	57	57	65	63	63	419	60	60	60	189	1708	
902	0	0	0	0	0	0	0	0	0	0	0	0	0	18	18	6	50	0	0	0	0	19	24	25	59	21	21	21	21	16	26	24	151	24	24	21	69	320
905	36	36	42	45	42	51	36	288	36	33	35	33	39	36	39	251	45	42	42	45	51	47	50	322	51	51	48	54	45	47	44	341	36	36	36	108	1310	
904	32	30	36	48	39	45	43	273	51	51	54	51	36	36	33	312	42	42	45	45	54	55	60	343	57	57	57	57	48	40	46	362	48	48	51	147	1457	
JPI - 1N	72	70	72	72	70	71	86	495	68	69	69	64	66	69	66	474	64	66	66	66	66	63	62	453	63	63	63	63	65	63	66	448	68	66	66	200	2068	
JPI - 1S	58	51	51	51	57	60	60	380	62	63	63	60	60	63	64	425	62	60	60	60	57	58	59	416	52	48	45	54	53	50	54	356	53	54	54	161	1738	
JPI - 2N	51	51	51	55	56	54	50	398	49	48	48	53	57	51	51	357	48	48	48	45	51	51	48	339	56	51	51	48	47	47	47	347	46	45	45	136	1547	
JPI - 2S	24	24	24	24	15	21	23	155	19	21	22	21	21	24	27	155	24	24	24	24	24	27	24	171	24	24	24	27	27	26	26	177	22	21	19	61	749	
JPI - 3N	54	55	54	54	49	54	59	376	56	54	54	53	60	60	60	392	60	60	60	60	64	61	63	427	66	66	63	62	66	69	60	438	54	51	57	162	1812	
JPI - 3S	63	63	63	69	69	69	68	484	68	69	69	72	69	65	72	484	66	69	69	69	69	72	60	474	66	67	66	68	66	65	63	462	63	63	63	189	2077	
CANCELLATIONS								0								0																				0	0	
IN PT. TOTAL	488	470	483	522	507	505	578	3513	520	516	517	522	522	519	501	3617	501	501	504	500	540	554	554	3664	545	529	520	548	540	537	546	3774	523	519	521	1583	16121	
Physician A	6	4	3	3	5	3	3	25	9	3	3	3	3	3	3	27	6	6	6	3	3	3	3	30	6	3	3	3	3	3	3	24	0	6	3	15	121	
Physician B (22B & 217)	0	2	17	15	12	13	0	59	0	0	20	19	18	12	0	69	0	0	15	15	20	17	0	67	0	0	15	14	18	20	0	67	3	0	28	31	283	
Post-Closing Late Mis	30	30	30	25	24	22	24	185	26	26	22	24	22	23	22	185	28	26	30	28	23	27	24	184	24	24	28	22	24	26	22	170	23	26	28	77	781	
Out Pt. Surgery	0	0	4	11	1	0	0	16	0	0	0	4	5	2	0	11	0	0	4	7	5	0	2	18	0	0	4	2	5	0	3	14	0	0	1	1	66	
OT Nurses	1	1	0	0	0	0	0	2	2	6	0	0	0	0	0	8	0	2	0	0	0	0	0	2	33	8	0	16	0	0	1	61	0	1	0	1	74	
OUT PT. TOTAL	37	37	54	54	49	38	27	287	37	35	45	50	48	49	25	280	32	34	56	53	51	47	29	301	63	35	50	60	50	49	29	336	32	33	60	125	1329	
PATIENT TOTAL	505	507	537	576	547	573	555	3800	557	551	562	572	570	559	526	3897	533	535	558	553	591	601	593	3955	608	584	570	608	596	586	575	4119	555	552	581	1688	17450	
Medical Staff	0	0	26	32	26	26	27	137	0	0	23	26	24	22	18	113	0	0	0	25	31	21	23	100	0	0	23	22	16	17	21	101	0	0	18	18	409	
Volunteers	0	0	19	9	14	17	19	78	0	0	27	26	16	20	15	110	0	0	0	11	3	15	12	41	0	0	25	28	11	19	20	109	0	0	0	16	359	
OT Staff / Misc	0	0	1	0	0	4	1	6	0	0	0	0	1	3	1	5	0	0	0	2	0	2	0	4	0	0	0	0	1	0	0	1	0	0	0	0	33	
DPT. OF SURGERY	0	0	0	0	0	0	11	11	0	0	0	0	0	0	0	0	0	0	0	0	0	0	11	11	0	0	0	0	0	11	11	0	0	0	39	39	874	
ORDINANCE TOTAL	0	0	46	41	48	47	58	232	0	0	50	52	41	51	34	223	0	0	0	38	34	38	46	156	0	0	48	50	38	55	219	0	0	0	39	39	18324	
GRAND TOTAL	505	507	583	617	587	620	613	4032	557	551	612	624	611	610	580	4125	533	535	559	591	625	639	628	4111	608	584	616	656	629	622	630	4329	555	552	620	1727	18324	

18,324 meals served

Example: Fiscal Monitoring

Back-up for Monthly Billing

January

Service Dates: 1/1/11 thru 1/31/11

Meal Rebate Calculation

Total Number of Meals Served	18,324
Number of Meals Below Meal Range	19,676
x \$2.09 = Meal Rebate	\$ 41,122.84

General Support Fee

\$ 337,661.00

Verify contractor's meal rebate calculation to make sure it is accurate:

$$\begin{array}{r}
 38,000 \\
 -18,324 \\
 \hline
 19,676 \quad \checkmark \\
 \times 2.09 \\
 \hline
 41,122.84 \quad \checkmark
 \end{array}$$

Common Areas of Fiscal Non-Compliance

- Amounts invoiced don't agree with the contract terms
- Cost-reimbursement contracts
 - ✓ Shared costs allocated improperly
 - ✓ Expenditures are unreasonable, unnecessary, or unsupported
 - ✓ Billing based on budgets/estimates instead of actual costs



Example: Fiscal Monitoring

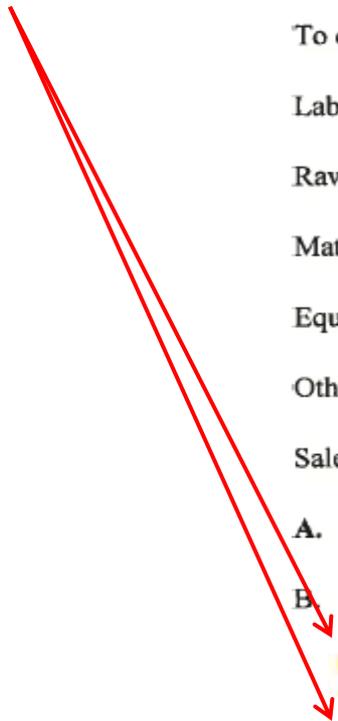
Note:
 Contract also allows a 15% mark-up for incidental food and supplies costs, but does not allow 15% mark-up for tube feeding costs.

SODEXO OPERATIONS, LLC
 DIETARY CONTRACT

**CONTRACTOR'S MONTHLY BUDGET
 AND COUNTY'S CHARGE SCHEDULE**

To deliver 38,001 - 44,000 meals per month	
Labor Costs	\$189,529
Raw Food Costs	\$104,980
Materials, services and supplies	\$19,039
Equipment, Maintenance and Repair Costs	\$1,592
Other Expenses	\$21,937
Sales Tax Liability	\$584
A. Contractor's Basic Monthly Charge	\$337,661
B. Special Function Meals	\$7,872
Incidental Supplies	\$1,462
Tube Feedings	\$9,150
Contractor's Monthly Budget	\$356,145
Incremental Meal Credits	(\$2.09)
Incremental Meal Fee	\$2.09

Incidental
 Supplies
 Budget



Example: Fiscal Monitoring

SODEXO, INC & AFFILIATES

BILL TO: Rancho Los Amigos Med Center
7601 E. Imperial Hwy
Downey, CA 90242
ATTN: Cheryl Guinn

INVOICE

MAKE CHECK PAYABLE TO:

SERVICES RENDERED TO: Rancho Los Amigos Medical Ctr
7601 E. Imperial Hwy
SSA #1131
Downey, CA 90242

SODEXO, INC & AFFILIATES
DEPT. 43283
LOS ANGELES, CA 90088-3283

TERMS	SDX A/R NUMBER	UNIT NUMBER	INVOICE DATE	INVOICE NUMBER
Net30	41031	91056001	02/01/2011	242971
DESCRIPTION	CUSTOMER REF.	AMOUNT	SALES TAX	TOTAL
Services for 01/01/2011 through 01/31/2011				
Incidental Supplies (Requisitions)	70017700	\$2,004.63		\$2,004.63
Incidental Supplies (Floor Supplies)	70017210	\$27,585.45		\$27,585.45
Tube Feedings:	70011430	\$2,214.60		\$2,214.60
Non County Catering Credit-Profit Split:	70043000	\$246.05-		\$246.05-
invoice has been reviewed Hours are accurate Rates are correct per contract				
		INVOICE TOTAL		\$31,558.63

**\$29,590 total incidentals
Budget is only \$1,462 !!**

'11 FEB 15

Example: Fiscal Monitoring

Rancho Los Amigos National Rehabilitation Center
Sodexo



Tube Feeding Summary

January 2011

UNIT	Wk 1	Wk 2	Wk 3	Wk 4	Wk 5	Wk 6	TOTALS	
	1/7/2011	1/14/2011	1/21/2011	1/28/2011	1/31/2011			
101		\$ 31.58	\$ 26.97	\$ 59.64	\$ 22.20	\$ -	\$ 140.39	
102	\$ -	\$ -	\$ 29.61	\$ -	\$ -	\$ -	\$ 29.61	
902	\$ -	\$ -	\$ 2.56	\$ 11.71	\$ 21.54	\$ -	\$ 35.81	
903	\$ 17.73	\$ 15.66	\$ -	\$ -	\$ 7.20	\$ -	\$ 40.58	
905	\$ -	\$ 26.27	\$ 34.10	\$ -	\$ -	\$ -	\$ 60.37	
904	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
JPI 1N	\$ 16.54	\$ 23.15	\$ 17.21	\$ 53.56	\$ 14.48	\$ -	\$ 124.93	
JPI 1S	\$ 119.43	\$ 71.56	\$ 33.55	\$ 114.21	\$ 31.60	\$ -	\$ 370.34	
JPI 2N	\$ -	\$ 42.40	\$ 27.00	\$ 7.41	\$ 34.76	\$ -	\$ 111.57	
JPI 2S	\$ 20.03	\$ 3.55	\$ 12.56	\$ 12.41	\$ 2.07	\$ -	\$ 50.61	
JPI 3N	\$ 207.72	\$ 139.97	\$ 233.07	\$ 210.21	\$ 103.96	\$ -	\$ 894.92	
JPI 3S	\$ 54.53	\$ -	\$ 12.09	\$ -	\$ -	\$ -	\$ 66.62	
Total:	\$ 435.97	\$ 354.13	\$ 428.70	\$ 469.14	\$ 237.81	\$ -	\$ 1,925.74	
							Total	\$1,925.74
							15% service	\$288.86
							Grand Total	\$2,214.60

Overbilled mark-up →

Example: Fiscal Monitoring (Cost-Reimbursement Contract)

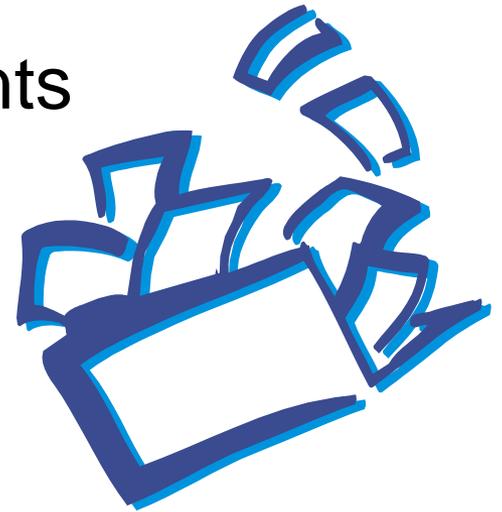
Agency Name: <u>Lz</u>	Budget Period: <u>July 1, 2010 - June 30, 2011</u>
Contract Number: <u>PH-001043</u>	Service Category: <u>Health Education/Risk Reduction</u>
Schedule Number: <u>4</u>	Report Month: <u>July-10</u> (Month/Year)

III. SERVICES AND SUPPLIES

(A) Budget Category	(B) Contract Costs this Period	(C) Total Contract Costs Prior Periods	(D) Contract Costs Y-T-D [(B)+(C)]	(E) Contract Budget	(F) Remaining Balance [(E)-(D)]
OPERATING EXPENSES - GENERAL					
Incentives	296	= 1/12 of budget	296	3,550	3,254
Equipment (Copier) Lease	67		67	800	733
Educational Material	83		83	1,000	917
Insurance	117		117	1,400	1,283
License and Permit	21		21	250	229
Risk Reduction Supplies	83		83	994	911
Staff Development/Training	142		142	1,703	1,561
Public Relation/Advertisement	46		46	553	507
Office Supplies	167		167	2,000	1,833
Printing and Duplication	126		126	1,510	1,384
4) TOTAL OPERATING EXPENSES - GENERAL	1,147		1,147	13,760	12,613
OPERATING EXPENSES - TRAVEL/PER DIEM					
Travel	96		96	1,150	1,054
Mileage	157		157	1,880	1,723
5) TOTAL OPERATING EXPENSES - TRAVEL/PER DIEM	253		253	3,030	2,778
OPERATING EXPENSES - FACILITIES OPERATIONS					
Utilities	83		83	1,000	917
Telephone	50		50	600	550
Maintenance Supplies	75		75	900	825
Rent	192		192	2,300	
Leased Vehicle	75		75	900	825
6) TOTAL OPERATING EXPENSES - FACILITIES OPERATIONS	475		475	5,700	3,117

Program (Service Delivery) Monitoring

- County gets what it paid for
- Contractor meets SOW requirements effectively:
 - ✓ Deliverables and time frame
 - ✓ Measurement criteria
 - ✓ Performance indicators and standards
 - ✓ Desired results/contract objectives



Common Areas of Program Non-Compliance



- Failure to meet the minimum measurement criteria
- Failure to meet contract objectives or requirements

What type of monitoring are the following reviews:

- Bank Reconciliation
- Participant Case File
- Background Clearance
- Site visit
- Insurance Certificate
- Personnel Salary



Responsibility for Monitoring

Responsibility of monitoring varies in Departments. What's important to remember is that all Sections must work together

Type of Monitoring	Responsible Section
Administrative	Contract Analyst
Fiscal/Budget	Accounting Division
Program	Program/Technical or Contract Staff

Contract Monitoring 5 Step Process

Step 1 - Develop An Action Plan

Step 2 - Collect Data

Step 3 - Conduct Test Work

Step 4 - Analyze Results

Step 5 - Report Findings

Step 1

Develop An Action Plan



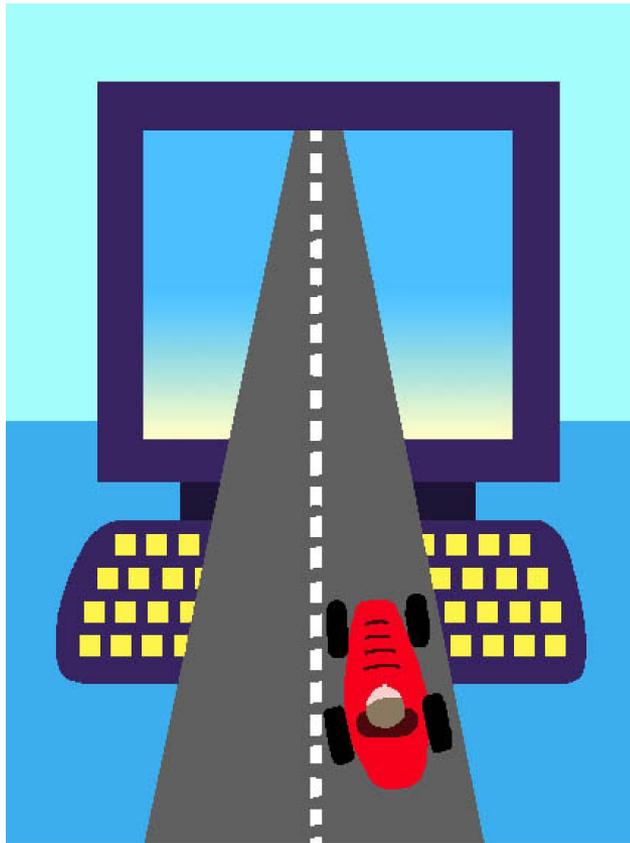
- Review contract performance, County requirements, State and Federal Laws
- Identify scope of the review and staffing
 - ✓ List actions and timeframes
- Develop monitoring instrument
- Schedule entrance conference
 - ✓ Present scope of review
 - ✓ Request needed data from contractor

Monitoring Tools

- Highlight each area in the contract that requires something of the contractor
- Depending on the service, this may be very detailed
- Tailor tools to ensure all key areas are covered



Roadmap for Developing Monitoring Tools



- Start with the Performance Requirements Summary (PRS)
 - ✓ The PRS is a listing of the items in the Contract that will be monitored. It is helpful to have all of the information located in a central place
 - ✓ Organize the PRS in the same sequence of the Contract

Performance Requirement Summary (PRS)



- The PRS should list what the Contractor is responsible for
- Key elements of the PRS are:
 - ✓ Reference/Required Service
 - ✓ Standard of Performance
 - ✓ Monitoring Method
 - ✓ Deduction/Fee



Sample Performance Requirements Summary (PRS) Chart

Specific Performance Reference	Standard of Performance	Monitoring Method	Deduction/ Fees to be Assessed
Paragraph 7.0 Administration of Contract- Contractor	Contractor shall notify the County in writing of any change in name or address of the Project Manager	Inspection and Observation	\$50 per occurrence
SOW: Sub- paragraph 4.1 Monthly Meetings	Contractor's representative to attend monthly meeting	Attendance	\$50 per occurrence

Sample Worksite Monitoring Tool

A. GENERAL		YES	NO	N/A	COMMENTS/DATES CORRECTED
1	Workplace is clean and orderly.				
2	Floors are clean and aisles, hallways and exits are unobstructed.				
3	Floor surfaces are kept dry and free of slip hazards.				
4	Stairways, sidewalks and ramps are free of defects (e.g., damaged tread, frayed carpet)				
5	Illumination is adequate in all common areas and workstations.				
6	Emergency evacuation plans are posted at every stairway and elevator landing, and immediately inside all public entrances to the building.				
7	All containers, including non-hazardous chemicals and wastes, are labeled with the full chemical or trade name.				
8	Stored materials are secure and limited in height to prevent collapse.				
9	36" clearance maintained for electrical panels.				
10	Electrical cords and plugs are in good condition with proper grounding.				
11	Extension cords and power strips are not daisy chained and no permanent extension cords in use.				

Sample Case File Monitoring Tool

General Eligibility Criteria

Did the file contain acceptable identification?

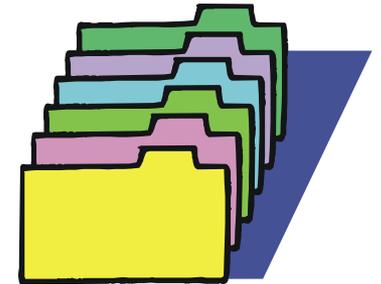
Yes

No

Did the file contain required work authorization documents?

Yes

No



Eligibility Criteria

To meet eligibility requirements, one of the following must be checked.

- The participant provided a recruitment flyer.
- The participant's eligibility was confirmed in DPSS's Web Application Database.
- DPSS provided confirmation of eligibility.

Monitoring Tool Exercise

Create a monitoring tool to sample 10 client case files for the following contract requirements:

9.4.3 CONTRACTOR shall maintain documentation in Client's case file with the following information to verify that the Case Management Service was provided:

9.4.3.1 Date – service was provided

9.4.3.2 Signature and name – of individual(s) who provided service

9.4.3.3 Description – of specific services provided (e.g., “developed service plan,” “made school arrangements,” “helped access transitional housing,” etc.)

9.4.3.4 “CMS” – noted for Case Management Services

9.4.3.5 Time – spent providing the service unit (rounded off to the nearest 15 minute increment – “15 min,” “30 min,” “45 min,” “1 hr,” etc.)

Step 2

Collect Data



- What data will you collect to evaluate Contractor's performance?
- What data is available
- Information should be specific and measurable
- Ability to verify and reconcile to contract requirements and other records
 - ✓ Examples: Timecards, invoices, interviews, contract/solicitation documents, LW reports

Step 3

Conduct Test Work



- Desk review
 - ✓ Review specific reports, such as LWO reports
 - ✓ Compare budgetary and expenditure reports
 - ✓ Comparison of contractor bills with predetermined billing rates
 - ✓ Certificates evidencing current insurance coverage and appropriate amounts
 - ✓ Communication with other Departmental staff involved in the contract process
 - Program, contract, fiscal, budget staff
- On-site review
 - ✓ Interview key personnel
 - ✓ Review specific documentation
 - Timecards, payroll reports
 - ✓ Announced vs. unannounced site visits

Step 4

Analyze Results

- What's supposed to be done vs. what you found
- Review for compliance with contract terms, regulatory requirements



Unacceptable Personnel Timecard

EMPLOYEE NO.		AGENCY NAME, MAIL ADDRESS		CITY		PERIOD FOR WHICH	
021911		LA. COMMUNITY AGENCY		DOWNTOWN L.A.		10/23/09	
NAME LAST		FIRST		JOB TITLE			
DOE, JANET				CASE MANAGER			
DATE	FROM	LUNCH		TO	TOTAL		
		FROM	TO				
Tuesday Oct 13	9:00	12:30 - 1:00		4:00	6.5		
Wednesday Oct 14	9:00	12:30 - 1:00		4:30	7		
Thursday Oct 15	9:00	12:30 - 1:00		4:00	6.5		
Friday Oct 16	9:00	12:30 - 1:00		4:00	6.5		
Monday Oct 19	10:00			2:30	4.5		
Tuesday Oct 20	9:00			1:30	4.5		
Wednesday Oct 21	9:00			2:00	5		
Thursday Oct 22	9:30	12:30 - 1:00		3:30	5.5		
Friday Oct 23	10:00			2:30	4.5		
TOTAL HOURS					50.5		
CERTIFY THAT ALL THE INFORMATION ON THIS REPORT IS TRUE AND CORRECT				APPROVED:			
Janet Doe		10.23.09		Angela Jones		10/23/09	
EMPLOYEE SIGNATURE		DATE		SUPERVISOR SIGNATURE		DATE	

Acceptable Personnel Timecard

PAYROLL TRACKING SHEET																	
EMPLOYEE NAME: <u>JOSHUA LORONZO</u>										PAY PERIOD: <u>10-29-2009</u>							
PROGRAM	1	2/17	3/18	4	5	6	7	8	9/24	10/25	11	12	13	14	15/30	31	TOTAL
DMH	2			3	1	4	2	3			3	1	3	2	1		25
Wrap	4			3	4	3	4	5			2	5	3	2			35
OAPP	2			2	3	1					3		2	3	4		20
TOTAL	8			8	8	8	6	8			8	6	8	7	5		80

<p>EMPLOYEE SIGNATURE: <u><i>Joshua Lorange</i></u></p> <p>DATE: <u>10/29/09</u></p> <p>SUPERVISOR SIGNATURE: <u><i>Arden...</i></u></p> <p>DATE: <u>10/29/09</u></p>		<p>To be completed by authorized personnel only:</p> <p>Check number: <u>1633</u> @ <u>\$25/hr.</u></p> <p>Gross salary: <u>\$2,000.-</u></p> <p>Net salary: <u>\$1,648.36</u></p> <p style="text-align: center;">PROGRAM DISTRIBUTION AMOUNTS</p> <table style="width:100%;"> <tr> <td style="width: 50%;">DMH <u>\$625</u></td> <td style="width: 50%;">OAPP <u>\$500</u></td> </tr> <tr> <td>Wrap <u>\$875</u></td> <td></td> </tr> </table>	DMH <u>\$625</u>	OAPP <u>\$500</u>	Wrap <u>\$875</u>	
DMH <u>\$625</u>	OAPP <u>\$500</u>					
Wrap <u>\$875</u>						

Step 5

Report Findings

Contract Discrepancy Reports or Monitoring Reports should include:

- Introduction
- Summary of reviewed activities
- Identify findings
- Recommendations for corrective actions with specific timeframes

Elements of an Audit Finding



- **Criteria** – The requirement.
- **Condition** – How they are not meeting the criteria.
- **Cause** – Why there was a deviation.
- **Effect** – Result or potential result (quantify if possible).
- **Recommendation(s)** – What is needed to correct the condition.

Examples of Criteria



- A contract requirement
- The Federal Office of Management and Budget Circular A-122, Cost Principle for Non-Profit Organizations
- Auditor-Controller Contract and Accounting Administration Handbook
- California Code of Regulations

Sample Audit Finding



CRITERIA:

The A-C Handbook, section C.1.5, states that only those expenditures that are necessary, proper and reasonable to carry out the purposes and activities of the Program are allowable.

CONDITION:

1 (8%) of 13 expenditures tested was not necessary, proper or reasonable to carry out the purposes and activities of the Department of Mental Health (DMH) Program. Specifically, the Agency charged DMH for the participants' recreational activities.

CAUSE:

The agency believes that charging DMH for recreational activities are allowable as these activities relate to the mental health of the client.

EFFECT:

Charging expenditures that are not proper reasonable or necessary to the program reduces the availability of funds when they are needed to support allowable expenditures.

RECOMMENDATION:

Agency should ensure that all program expenditures are proper, reasonable, and necessary.

Questions or Comments



Exercise

Find the audit finding elements in the paragraph below and write in the corresponding number.

The Department of Public Social Services (DPSS) contracts with Non-Profit, Inc. to provide computer training to eligible program participants. Non-Profit, Inc. hired several sub-contractors during the fiscal year to provide these services to the participants without obtaining approval from DPSS. The County contract requires DPSS approval before using subcontractors. The agency stated that they wanted to save costs by using sub-contractors because the Agency did not have to pay employee benefits.

1. Criteria

2. Condition

3. Cause

4. Effect

Develop an appropriate recommendation for this finding.

Contractor Non-compliance



- Obligation to deal with noncompliance. May result in:
 - ✓ Client complaints
 - ✓ Board inquiries
 - ✓ Risk to County – financial loss
- Document noncompliance in CDRs/monitoring reports
- Place contractor on notice – Due Process
- Consider Contractor Alert Reporting Database (CARD) placement

CARD – Criteria



- Owes the County for overbillings/overpayments
- Has not corrected non-compliance
- Contractor or principal owners are debarred by other government agencies
- Experienced issues affecting their ability to comply with contract (licenses, insurance, bankruptcy, etc.)
- County has imposed contractual remedies

CARD – Department Responsibilities



- Develop internal approval and notification procedures (should be done)
- Provide contractors with due process
- Notify and then place contractors in CARD with adequate documentation
- Notify the Board and other departments
- Work with contractors and update CARD records
- Use CARD during proposal evaluations

First Prev Next Last [Attachments](#) **3**

Save Undo Delete Insert Copy Paste [Search](#)

1 **Contract Information**

*Department : Record Create Date : Issues Exist :

*Reporting Code : Reporting Active : Audits Exist :

*Sub Reporting Code : Sub Reporting Active :

*Vendor Customer : Legal Name :

2 **Issues Information**

Issues:	Issue Date:	Resolved:	Resolved Date:
<input type="checkbox"/> Contractor owes the County for overpayments and/or questioned costs and has not entered into a repayment agreement or agreed to pay the County back, or has been referred to the Treasurer and Tax Collector for collections.	<input type="text"/>	<input type="checkbox"/>	<input type="text"/>
<input type="checkbox"/> Contractor has not taken the appropriate steps to correct documented areas of contract non-compliance in a timely manner.	<input type="text"/>	<input type="checkbox"/>	<input type="text"/>
<input type="checkbox"/> Contractor and/or principal owners are currently debarred by other governmental entities.	<input type="text"/>	<input type="checkbox"/>	<input type="text"/>
<input type="checkbox"/> Contractor has experienced financial, administrative, programmatic or pending legal issues that affect their ability to comply with the County contract requirements.	<input type="text"/>	<input type="checkbox"/>	<input type="text"/>
<input type="checkbox"/> County has imposed contractual remedies against the contractor due to non-compliance with the County contract requirements.	<input type="text"/>	<input type="checkbox"/>	<input type="text"/>

Unresolved Issues :

Contact Name : Contact Phone :

Contact Email : Contact Unit :

CARD Manual



See the
Auditor-Controller Website
<http://auditor.lacounty.gov>



Handling Disputes

- A disputes resolution provision should be included in the contract
- Know who handles the disputes
 - ✓ Contract Project Monitor
 - ✓ Project Manager
 - ✓ Project Director
- Contact County Counsel before imposing significant contract remedies other than CARD
- Use CARD as a deterrent



Monitoring Resources

- Auditor-Controller
- Internal Services Department
- County Counsel
- Contracting Database report cards
- Contractor Alert Reporting Database (CARD)



Questions or Comments



Contract Monitoring Certification Training

The following training modules are currently under development by the A-C and DHR with the first class to be offered before June 30, 2014.

- Fiscal Monitoring (8 hours) – Overview of the purpose of monitoring and related regulations/guidelines, and applied instruction on the fiscal monitoring process
- Program & Administrative Monitoring (4 hours) – Overview of the purpose of monitoring and related regulations/guidelines, and applied instruction on the program/administrative monitoring process
- Living Wage (4 hours) – Overview of the living wage program and compliance monitoring procedures
- Elements of an Effective Contract Monitoring System (4 hours) – Overview of the structure, policies and procedures used to ensure that the objectives of a contract are accomplished and vendors meet their responsibilities
- Fraud (4 hours) – Discussion on the principles of contractor fraud
- Written Communications (4 hours) – Overview of and applied instruction on effective writing and the elements of a well-written monitoring report
- Verbal Communications (4 hours) – Overview of effective communication skills and their use in audit interviews



County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
<http://ceo.lacounty.gov>

WILLIAM T FUJIOKA
Chief Executive Officer

Board of Supervisors
GLORIA MOLINA
First District
MARK RIDLEY-THOMAS
Second District
ZEV YAROSLAVSKY
Third District
DON KNABE
Fourth District
MICHAEL D. ANTONOVICH
Fifth District

July 24, 2014

TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM: William T Fujioka
Chief Executive Officer

REPORT BACK ON PROTECTING SENSITIVE PERSONAL AND PUBLIC HEALTH INFORMATION

This is in response to the May 27, 2014, motion by Supervisor Ridley-Thomas, specifically directive #2, wherein the Board directed the Chief Executive Office (CEO) in coordination with County Counsel (Co-Co) and the Chief Information Officer (CIO), to:

“Propose a plan to require all County-contracted agencies that exchange personally identifiable information (PII) and protected health information data (PHI) with the County, to encrypt this sensitive information on their portable and workstation devices as a condition of their County contracts. The CEO, CIO and County Counsel shall report back with a proposed plan in 60 days.”

Attached for your review is a recommended plan in response to the motion.

BACKGROUND

The County of Los Angeles (County) and its departments enter into a wide range of agreements with vendors to provide goods and services. With over 7,500 active contracts, there exists a strong possibility of contractors having possession of PII and/or PHI in order to provide goods and services to the County and its constituents. While information security has been a focus with County departments, there has not been much guidance provided to contractors with respect to information security requirements. The attached recommended Protecting Sensitive Personal and Protected Health Information Plan (Plan) will provide County departments with guidance

“To Enrich Lives Through Effective And Caring Service”

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Intra-County Correspondence Sent Electronically Only***

in implementing uniform software and hardware data encryption requirements in County contracts, as appropriate, as a condition of contracting with the County.

CONTRACTORS' INFORMATION SECURITY TASK FORCE

In accordance with the Board's instructions, a Task Force was established with members of the CEO, Co-Co, CIO, Internal Services Department, Department of Mental Health, Department of Health Services, Community and Senior Services, and Sheriff. Initial meetings occurred on June 12, 2014 and June 25, 2014, with the CEO, Co-Co and CIO to discuss strategies on how to approach the task with regards to existing contract language, Board policy, and industry standard encryption standards. A subsequent meeting of the full Task Force with representation from by various departments throughout the County occurred on July 10, 2014, and discussed the proposed framework of the Plan considering each department's unique contracting environment.

All departments embraced the concept of requiring implementation of industry standard data encryption for protection of PII and/or PHI stored or transmitted by contractors. It was noted that implementation of these standards may be a technical and financial challenge for some small businesses and community-based organizations. Several departments have a high volume of contracts with contractors who provide goods and services where PII and/or PHI are exchanged. In addition, the technical capability and actual technology employed varies in some community-based organizations. Requiring data encryption will be a significant change to many County contractors and will most likely result in increased costs.

The Task Force recognized the challenge to appropriately identify where County data is stored based on the variety of computing equipment, storage devices and/or cloud based storage services employed by contractors. As a result, the Task Force recommended data encryption requirements that must be utilized for all PII and/or PHI stored and/or transmitted by contractors, irrespective of storage and/or transmission methodology.

Additionally, the Task Force envisions potential compatibility issues arising from the need to encrypt information that is transmitted wherein the sender encrypts the file, but the receiver is unable to unencrypt and read the data. These issues may be more apparent with small and medium size contractors.

KEY ASPECTS OF PROTECTING PERSONAL AND PROTECTED HEALTH INFORMATION PLAN

The Plan uses California Civil Code 1798.29(g) as the authoritative definition for PII and the Health Insurance Portability and Accountability Act of 1996 for PHI. The Plan created by the Task Force has three major components:

1. Identification of all County contracts subject to the Plan will be risk-based in terms of identifying and categorizing contracts by priority and utilizing a specified risk based criteria;
2. Implementation via contract and solicitation language requiring that contractors implement industry standard data encryption for the protection of PII and PHI;
3. Annual validation by departments that the contractor has successfully implemented and maintains an appropriate level of data encryption as required by the contract.

FUTURE ACTIONS

If instructed by the Board to begin implementation of the attached Plan, the Task Force will meet regularly to develop contract language, amend policies (where necessary), and create a project plan that includes milestones and timelines. Thereafter, the Task Force would report the implementation status to the Board every 90 days.

If you have any questions or require further information on this matter, please contact Scott A. Wiles of my staff at (213) 893-1246 or by email at swiles@ceo.lacounty.gov.

WTF:SHK:SAW:cg

Attachment

c: Executive Office, Board of Supervisors
County Counsel
Chief Information Office
Community and Senior Services
Health Services
Internal Services
Mental Health
Sheriff



**PROTECTING SENSITIVE PERSONAL
AND
PUBLIC HEALTH INFORMATION
IMPLEMENTATION PLAN**

- 1) IDENTIFICATION of all County contractors will be risk-based in terms of identifying and categorizing contracts by priority and utilizing risk-based criteria.
 - a. Each department will conduct a risk assessment of existing contracts to determine and establish a priority listing of all of their contracts that may require inclusion of contract language requiring contractors to implement encryption requirements.
 - b. In conducting the assessment, each department will utilize the following risk-based criteria:
 - i. The type and amount of County data being transmitted and/or stored by the contractor:
 - A. Personally Identifiable Information (PII) is transmitted and/or stored and is defined in California Civil Code 1798.29(g); or,
 - B. Protected Health Information (PHI) is transmitted and/or stored and is defined in HIPAA legislation; and,
 - C. Number of records (PII and PHI) exceeds 500 individuals.
 - ii. The type and extent (continuous/occasional) of services critical to departmental operations;
 - iii. The highest contract value will be addressed working downward.
 - c. Each department will identify and evaluate all pending competitive solicitations that may require inclusion of contract language requiring contractors to implement encryption requirements in accordance with the risk-based criteria described in 1b.
 - d. Each department will identify and evaluate existing contracts where an amendment is scheduled this year that meets the risk-based criteria described in 1b.
 - e. The Chief Executive Office (CEO), Chief Information Office (CIO), and County Counsel (Co-Co) will identify and, if necessary, recommend appropriate amendments to Board of Supervisors (Board) policies (e.g., 5.040, 5.150) to include information security requirements specific to encrypting PII and PHI.
 - f. Consistent with any proposed new or revised Board policies, Co-Co will draft appropriate contract and solicitation language to address mandated inclusion of contract language requiring contractors to implement uniform encryption requirements for stored and transmitted PII and PHI data by County contractors.
- 2) IMPLEMENTATION of uniform industry standard data encryption (software or hardware) for the protection of PII and PHI.
 - a. Security and privacy requirements consistent with Board policies, as may be modified from time to time by the CIO through Technology Directive (TD) or memorandum, will be included in County solicitations and contracts, as appropriate. Initially, these requirements will include at a minimum:

- i. Encrypt data-at-rest using industry standard based on the National Institute of Standards and Technology (NIST) Special Publication 800-111 Guide to Storage Encryption Technologies for End User Devices:
 - 1. Encryption should be a minimum security strength of AES-256.
 - 2. Federal Information Processing Standard (FIPS) 140-2 approved encryption only.
 - 3. Encryption keys must be managed securely.
 - ii. Encrypt data-in-transit using industry standard based on NIST Special Publication 800-52 Guidelines for the Selection and Use of Transport Layer Security Implementations.
 - 1. Encryption should be Secure Sockets Layer (SSL) with minimum security strength of 128-bit
 - b. Amend Countywide Contractor Training course material to include information on information security and privacy conducted by the CIO/CISO.
 - c. Identify and/or develop contracts training opportunities for County staff to address uniform data encryption requirements.
 - d. CEO will notify all departments of uniform data security requirements, policies and related language to be included in all applicable County contracts and solicitations.
 - e. Each department will notify their contractors, as applicable, of the Board's policies and direction.
 - f. Each departmental information security officer (DISO) shall oversee implementation of the County's encryption requirements while coordinating with their respective contract management personnel.
- 3) VALIDATION will demonstrate that the contractor has successfully implemented and maintained an appropriate level of data encryption as required by contract.
 - a. Annual attestation is contractually required with DISOs performing oversight:
 - i. Contractor, through authorized officer must certify contractor complies with County's uniform encryption requirements.
 - ii. Encryption software must generate a report attesting to encrypted devices.
 - iii. Other security and privacy measures may be validated to address logical, physical, and administrative aspects.
 - b. Attestation is done annually based on the risk-based criteria described in 1b.
 - c. Departmental contract monitoring shall occur in accordance with the contract's audit or other related provisions.
 - d. Departments will utilize a contract management system to track contract status that includes audits (e.g., financial, information security and privacy).