

# Often Reported, Never Repaired

*[Protecting the health and well-being of individuals and the community is the fundamental responsibility of the Sonoma County Department of Health Services<sup>1</sup>](#)*

The Sonoma County Department of Health Services (DHS) is tasked with sheltering the unhoused, providing services and treatment for those with substance use disorders, and furnishing treatment and comfort for people with behavioral disabilities and their families. Most of these services are provided by contracted local agencies, not County employees; and most of the funding comes from federal and state programs. For this system to function properly, DHS, along with other County departments, needs to employ a robust contracting and procurement process that is fair, efficient and protects County resources.

Sonoma County Grand Juries have investigated DHS in the past. In 2017, the Grand Jury looked at DHS' mental health programs and found shortfalls based on unfilled positions, a culture of retribution, a lack of transparency, low morale, and training deficiencies. The 2018-19 Grand Jury [reported](#) on a \$19 million budget deficit; findings included a faulty budget development process, inaccurate revenue projections, and revenue lost from inadequate electronic medical record and billing software implementations.

Three years later, the 2021-22 Grand Jury looked at [DHS' response](#) to the Covid pandemic. County and DHS employees were commended for individual performances, but the department's overall response was deemed problematic. The investigation reported a toxic work environment that included bullying, racial and cultural tensions, and fear of retaliation. It also reported employee distrust of upper management and DHS' Human Resources department.

The goal of this investigation was to examine and report on DHS contracting and procurement practices. However, the investigation uncovered factors, beyond fiscal management practices, that materially impact DHS' ability to manage contracts. We felt obliged to expand the scope of the report to include general DHS management practices and DHS' functional interactions with Purchasing, Accounting, the Auditor's office, and other County departments.

It is critically important, to the neediest people of Sonoma County, that the Department of Health Services fulfill its mission and responsibility; our investigation found many examples of opportunities for improvement that are shared in this report. The 2023-24 Civil Grand Jury sincerely hopes that this is the last time the Department of Health Services deserves such public examination and criticism.

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<sup>1</sup> <https://sonomacounty.ca.gov/health-and-human-services/health-services/about-us>

## METHODOLOGY

- In order to develop this report, the Grand Jury:
- Examined hundreds of documents regarding DHS and County contracting and procurement processes including RFPs, proposal evaluations, contracts, employee exit interviews, ordinances, and Board of Supervisors’ agendas and actions.
- Interviewed 18 current and former County employees and outside providers.
- Reviewed and analyzed consultant reports by Civic Initiative and KPMG.
- Reviewed and analyzed the Sonoma County [Internal Audit: Sonoma County Procurement Process](#).
- Reviewed Pisenti & Brinker “Independent Accountant’s Report” in re DEMA documentation.
- Reviewed prior Sonoma County Grand Jury Reports from 2016-17, 2018-19 and 2021-22, which examined problems within the Department of Health Services.
- Read numerous articles from the Santa Rosa Press Democrat.
- Conducted general research regarding county Department of Health contracting issues in other California counties.

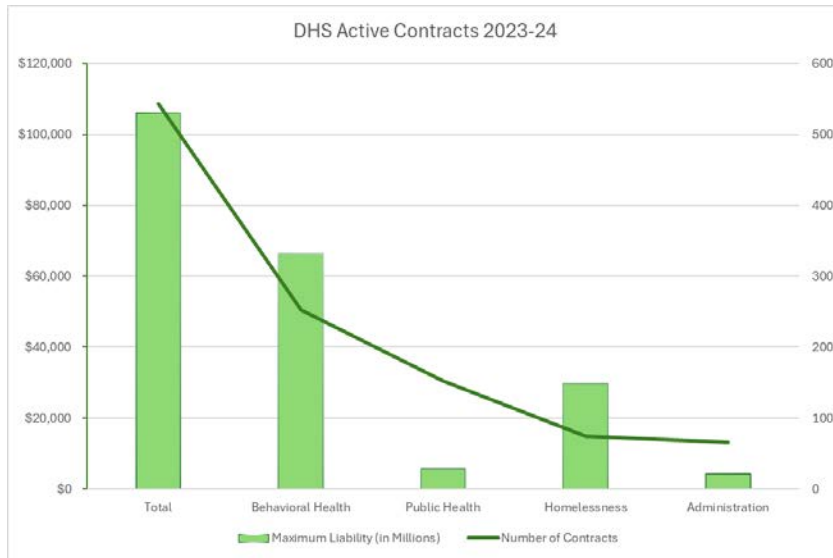
## Glossary

BoS	Sonoma County Board of Supervisors
Bucklew Programs	Nonprofit organization that provides services for substance use disorders, behavioral disorders, homelessness, and suicide prevention.
CAO	Chief Administrative Officer. Top County executive, title changed to Chief
CDC	Community Development Commission
COC	Continuum of Care, now called Homeless Coalition
DAAC	Drug Abuse Alternative Center, known as CenterPoint/DAAC
DEMA	DEMA. A provider of support services for the homeless.
DHS	The Sonoma County Department of Health Services
FEMA	Federal Emergency Management Agency
LGV	Los Guilicos Village. Provides interim housing in tiny homes on the Los Guilicos
Los Guilicos Dormitories	Two dormitories, formerly part of the Juvenile Detention Center that the County is renovating to provide 120 interim beds for the unhoused.
NOFA	Notice of Funding Availability (vendor instructions for contract proposals).
RFP	Request for Proposals. Instructions to vendors for submitting purchasing
SUD	Substance Use Disorder
SVDP	Saint Vincent de Paul Sonoma County. A nonprofit that provides services to those suffering from poverty, hunger, and homelessness.

## DISCUSSION

DHS contracts with many community-based organizations to provide behavioral health and homelessness services to the most vulnerable members of our community. Behavioral Health, the largest DHS division, issued 252 contracts worth \$66,364,596 in FY 2024.

We reviewed DHS’ competitive bidding and contract finalization processes; they are unnecessarily cumbersome. The published process includes 127 steps from RFP creation to signing of a contract; an internal procurement workflow document projects **22** weeks from the time the decision is made to issue an RFP to finalization of a contract: 17 weeks to develop the RFP, evaluate proposals, and obtain Director approval of the selected provider, five more weeks are allocated for negotiations, issuing Notification of Intent to Award, and finalization of the contract by County Counsel, the BoS, the Director, and the vendor. And our research confirmed that these timelines are rarely met.



In 2021, the Internal Auditor reviewed the County’s procurement practices for FY 2019-20. The report was quietly slipped onto the Auditor web site two years later—in August 2023! The Auditor found that many DHS contracts were not procured through competitive bidding. The Auditors then selected 23 DHS sole source contracts and found that none of them had been bid competitively for ten or more years, and none of them had a sole source waiver filed with the County Purchasing Department, as required by both published policy and ordinance. The Auditor found that DHS was in violation of Sonoma County Municipal Code Chapter 2, Article V, Section 2-58, BoS Resolutions, and the County Service Purchasing Agreements Policy, all of which require that contracts over \$50,000 either be competitively bid or accompanied by a sole source waiver approved by the County Purchasing Agent.

In 2022, the BoS contracted with Civic Initiatives, LLC (Civic Initiatives) to comprehensively assess the entire County’s current procurement practices and develop recommendations for improving them. In October, 2023 Civic Initiatives reported that the County’s procurement system was deficient in all ten organizational management practices surveyed. Additional recommendations were supposed to be presented to the Board of Supervisors in the Spring of 2024.

## CASE STUDIES

The Grand Jury investigated six specific circumstances which reveal broader problems in DHS’ procurement processes and procedures.

**Behavioral Health: Too many contracts take too long to execute.**

In December 2022, a Press Democrat report alleged that DHS’s failure to execute behavioral health providers contracts on time had resulted in [meaningful payment delays to nonprofit agencies](#)<sup>2</sup>; providers should not be paid without a finalized contract. 28 contracts were still not finalized in mid-December 2022, five months after the start of the 2023 fiscal year. In several articles last fall, the Press Democrat reported, and the Grand Jury confirmed, that delayed contracts and payments for FY 2024 were once again challenging our community nonprofits.

Interviewees identified other factors that contributed to delays:

- Most contract terms are for a single year; a March 2024 report of all active Behavioral Health contracts showed that 54% of the contracts were single year or less. Increased use of multiyear contracts would dramatically decrease the overall workload.
- Inadequate delegation of authority led to long waits for approval from the highest levels of management, even for minor issues that could be handled at lower levels. Meaningful delays also occur when contracts require approval by outside departments such as County Counsel or Purchasing.
- Staff vacancies and staffing shortages led to inefficiencies, increased workloads, and employee stress, and have been a significant problem for DHS. A Human Resources report in March of 2024 revealed DHS vacancies equivalent to 148 FTEs, a 23% vacancy rate. The same report showed that the County, excluding DHS, had a vacancy rate of just 8%.

Why is DHS’ vacancy rate so much higher than the rest of the County? Retention issues are a factor. We looked at all 34 exit interviews submitted over the past three years; exit interviews are voluntary, hence responses could be biased, but the results are still compelling:

<b>DHS Exit Interview Summary 2020-2023</b>			
<b>Report Years</b>	<b>Total Number of Exit Interviews</b>	<b>Reported Dissatisfied with Work Environment</b>	<b>Percent Dissatisfied</b>
2020-22	32	7	22.00%
2023	12	9	75.00%
<b>Reported reasons for dissatisfaction:</b> * Poor Communication * Racism * Bullying * Bad Morale * Poor Work Culture			

<sup>2</sup> <https://www.pressdemocrat.com/article/news/nonprofits-scramble-to-fund-vital-services-as-sonoma-county-falls-behind-on/>

## **BoS Directs that Homelessness Services be Moved into DHS; it does not go well**

In 2021, the Board of Supervisors commissioned a consulting firm, KPMG, to recommend an optimal organizational plan for the County's Housing and Homelessness Services programs. The BoS asked County staff for further analysis, and in May 2022, staff advised the Board to move Homelessness Services from the Community Development Commission (an independent agency that administers funds from Federal and State sources.) to DHS. The BoS authorized this move in June of 2022, and plans were made to execute the transition in January of 2023.

Integrating homelessness support programs into the department that manages behavioral health and substance use disorder treatment programs sounds sensible, but poor execution led to a perfect storm of problems: DHS fiscal and contract development departments already had a backlog of delayed contracts—before adding homeless services contracts to their workload. The head of the Homelessness division did not start at DHS until January 2023, and other key members did not transfer until March. Requests for Proposals did not go out until February or March, which didn't leave time to finalize contracts before the July 1 start of the new fiscal year.

Other factors led to additional delays. The time needed to bring CDC contract templates up to "DHS standards" was either underestimated (or not recognized) and the impact of a newly developed approval process by the county-wide Continuum of Care was not anticipated. There was also a failure to recognize the time required to orient transferred CDC employees to DHS practices and teach longstanding CDC vendors how to deal with unfamiliar DHS document submission requirements.

Many Homelessness service providers were not paid by the County for up to five months (despite delivering services and paying employees) because contracts hadn't been re-written and approved. None of the 15 largest homeless services contracts for FY2023 were finalized before August 30, and the majority were not completed until much later in the year.

### **Chaotic Contracting: Los Guilicos Village (Part 1)**

DHS' contracting for Los Guilicos Village (LGV) management is a good example of chaotic practices. LGV was created in January 2020 as a temporary shelter to relocate unhoused people from the Joe Rodota Trail. CDC (not DHS) awarded the initial LGV management contract to St. Vincent de Paul Sonoma County (SVDP). CDC's Homelessness Services program, including the LGV management contract, was moved into DHS in early 2023; to that point, SVDP had no contract or payment problems.

CDC had issued an RFP in December 2022 (prior to the move) soliciting proposals to manage Los Guilicos Village for two years starting July 1, 2023. Two qualified bidders responded, but no award for this RFP was ever made. On September 23, 2023—three months after the contract had been due to start—DHS notified both respondents that it had canceled the RFP.

In the meantime, SVDP continued to operate under their expired contract without payment between July 1<sup>st</sup> and the end of November. Since no RFP had been awarded, there was no contract, no purchase order, and no payment by the County. On Sept. 12, 2023, the BoS was informed that the December 2022 RFP remained under review, and the Board of Supervisors was asked to retroactively extend the prior year's contract from July 1, 2023, until October 31, 2023.

This contract extension (mostly for services already performed) was never signed by SVDP because DHS insisted that the contract extension include language regarding harm reduction retroactive to July 1, 2023—which SVDP argued was both impractical and imposed liability that SVDP had never agreed to accept. The County Controller ultimately issued payment to SVDP without an amended

contract or purchase order after numerous articles appeared in the Press Democrat. Rather than approving the agreement with SVDP just once, the BoS approved it at its Sept. 12 meeting, extended it on Nov. 28, and extended it again on March 26, 2024.

Why didn't DHS award a contract to one of the vendors that responded to the December 2022 RFP? The idea of moving residents at LGV and other homeless sites into renovated dormitories on the Los Guilicos campus happened at some point in 2023. DHS planners certainly knew it would take many months to obtain BoS approval for using the Los Guilicos Dorms, that the dorms would need work, and that this project would take *at least a year* before an orderly transition could occur. Had DHS entered into a contract pursuant to the original bidding process, significant County resources would not have been spent untangling a mess that should never have occurred.

## **Los Guilicos, Part 2**

The Los Guilicos story gets even more complicated. In addition to LGV, the County had three other pandemic-era interim housing sites: the Ballfield trailer site at the County fairgrounds, Mickey Zane House, and the Compassion site. None of the management contracts for these three sites were competitively bid; all were awarded to DEMA under a pandemic emergency agreement.

DHS issued an RFP for "Interim Housing Support Services and Site Management" in August of 2023, noting that the County would engage one or more contractors to manage the three DEMA-run sites for three or more years. The RFP contained a clause stating that the service sites could change as plans to close temporary housing were already underway and that the vendors should be prepared to move their services to an unnamed location. (We were later told the unnamed location was meant to be the Los Guilicos Dorms.)

The ambiguous wording of the RFP (coupled with public and private DHS assurances that the Los Guilicos Village RFP was still active) led SVDP not to submit a proposal to manage any of the DEMA-run sites. The 2022 Los Guilicos Village RFP remained active until one week after the Interim Housing RFP closed to new proposals in September 2023. The overlapping timetables of these two RFPs gave SVDP no time to respond when the 2022 RFP was cancelled.

It would be patently unfair if the Notice of Termination for the December 2022 RFP was deliberately delayed; if not, closing a second RFP before canceling its predecessor is poor execution. SVDP never got the opportunity to bid for management of the Los Guilicos Dormitories site, which will replace the LG Village it currently manages. In April 2024, the BoS directed DHS to start a new competitive bidding process, thereby avoiding further public scrutiny and possible litigation by SVDP.

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## **DEMA: Let's All Play "Pass the Buck"!**

The Grand Jury also investigated DHS's contracts with DEMA, a homelessness services provider formed in 2020 specifically to assist the County during the Federally declared Covid19 emergency. The County paid DEMA ~\$26 million for services rendered; these payments were expected to be eligible for FEMA reimbursement. However, the County may not get full reimbursement because it may have approved and paid DEMA invoices without required supporting documentation.

How did this happen? Who authorized millions of dollars of payments without the contractually required documentation? Was this a failure of contract administration, financial controls, management oversight, or all the above? Should the Controller have allowed the payments to go through? Where was the Auditor, the entity responsible for ensuring FEMA claims are filed correctly

on behalf of the County? The Grand Jury interviewed people from each of these agencies and found no one willing to take responsibility for the allegedly inadequate supporting documentation, although many were willing to find fault with others.

The County always expected to seek FEMA reimbursement for the DEMA charges. Pisenti & Brinker, engaged by the Auditor to review DEMA's invoice documentation, found that "DEMA invoices did not include the minimum essential detail required under the... (County) contracts." DHS' Fiscal unit and County Accounts Payable systems allowed payments to be authorized without confirming that the required documentation was attached; and the County Auditor allowed these invoices to be paid for a period of three years in spite of this deficiency. The lack of documentation of the DEMA invoices may mean the County doesn't qualify for a significant amount of FEMA reimbursement.

The DEMA situation was a failure of contract administration, financial controls, and management oversight. Program administrators authorizing contract payments either did not understand what documentation the contract required or failed to require that DEMA provide it. DHS Fiscal approved the invoices for payment in spite of this, and management is ultimately responsible for making sure that employees are trained in their roles and that basic systems, such as procurement and payment, confirm the existence of and keep required documentation. No one the Grand Jury interviewed has taken responsibility for this system failure or shared a plan to preclude this type of mistake from reoccurring.

## **The Orenda Center**

The Orenda Center has been providing substance use disorder (SUD) treatment services since 1971 and was the only inpatient detoxification center in the county serving the indigent.

Centerpoint/DAAC (Drug Abuse Alternative Centers) managed the Orenda Center for twelve years until June 30, 2023. Unfortunately, the Orenda Center has been closed since July 1, 2023. The sequence of events behind this closure is tortuous and difficult to understand:

- In August 2021, DHS issues a Request for Proposals for detox facility management, to start on Jan 1, 2022, with a term of 18 months.
- Competitive responses are reviewed in October 2021, and Centerpoint/DAAC (DAAC) and Buckelew Programs (Buckelew) are chosen as finalists.
- No award is made in 2021, however, so DAAC continues to operate the Orenda Center on a series of contract extensions that eventually become contentious.
- In February of 2023—13 months after the award winner is supposed to start managing the Orenda Center—Buckelew is quietly notified it will be the winner. No one tells DAAC it's lost the competition until May 31, 2023—just 30 days before its last contract extension expires.
- In order to become the facility operator, Buckelew needs a license from the State and the Orenda Center needs renovations that have to be done before the State license review begins. None of this work starts prior to July 1<sup>st</sup>, 2023.
- As of June 1<sup>st</sup>, 2024, the contract between the County and Buckelew still isn't signed; it's not clear whether Buckelew's operating license is complete. But the Orenda Center has been closed since July 1, 2023 and still doesn't have an opening date, 11 months after closure.

Recognizing the extended upcoming closure of the Orenda Center, the County arranged for patients going through withdrawal to be transferred to Buckelew Programs' Helen Vine Center in Marin County. Unfortunately, the County did *not* implement a monitoring program to ensure that patients needing detoxification services were not falling through the cracks.

We have questions:

- Is there really no way to transfer licensed facility management responsibility without a multi-month facility closure?
- If it *does* take up to six months to complete the State review needed for a facility license, how can the County ensure that services are available locally during this process?
- How many people in need of detoxification services chose not to go to Marin County?
- Why was there no public Notice of Intent to Award the contract to Buckelew?
- Why has it taken more than a year for the Orenda Center to transition from Centerpoint/DAAC to Buckelew management?

## CONCLUSION

The Grand Jury focused on the Department of Health Services' procurement processes in this investigation. We found a poorly functioning process with a history of violations of County policies and ordinances. For many years, DHS often entered into no-bid and sole source contracts without filing a required sole source waiver. DHS' RFP process is lengthy and cumbersome and often not completed in a timely manner, resulting in significant delays in service startup and vendor payments. Process issues include imprecise contract and RFP language, RFP cancellations after months of delay, and poor or misleading communication causing vendor uncertainty. Staff shortages, which have in part been blamed on a toxic work environment, aggravate the department's problems with timely performance.

The BoS and the Auditor have been notified of management and procurement issues at DHS for many years, and these types of problems continued during this Grand Jury's investigation. An inordinate amount of DHS, Auditor, County Administrator and BoS staff time and money has been spent straightening out the tangled web of problems caused by these systemic failures, and when DHS has problems, real people suffer.

The Grand Jury notes that the Homelessness Services Division may have gotten off to a better start with their FY2024-25 contracts: the contract package is scheduled to be presented to the BoS this June. However, it is our understanding that a significant number of DHS' behavioral health contracts will not be ready for signature prior to the start of the new fiscal year.

The Grand Jury hopes that the recent change of administrative structure, wherein DHS reports directly to the County Executive Officer rather than the BoS, will improve DHS operations. Further, we look forward to the County implementing the recommendations suggested by consultants Civic Initiatives, hired by the BoS to review the entire County's current procurement practices. The Grand Jury encourages the County Executive, the Auditor, the Purchasing Agent and particularly the BoS to continue to support DHS in its efforts to build a fully staffed and highly functioning department.



## FINDINGS

The Grand Jury finds:

- F1. DHS contracting practices and procedures are chaotic, inefficient, and take too long. This results in delayed execution of contracts, delays in vendor payments, and local County health services missing for extended periods.
- F2. DHS processes for procurement needs identification, RFP generation, and competitive sourcing take too long to execute and aren't clearly competitive.
- F3. Chronic short staffing and employee turnover have led to a significant loss of institutional knowledge.
- F4. Inadequate delegation of authority and a toxic work culture inhibits individual decision-making and contributes to DHS's failure to perform effectively.
- F5. DHS Fiscal and County general accounting process doesn't require or retain all information needed for post-fact analysis of who is being paid, whether the payment was the result of a no-bid contract, or whether payment documentation matches funding source requirements.
- F6. County Purchasing and Internal Audit failed to require that DHS follow mandated procurement policies.
- F7. The BoS failed to require changes to DHS procurement procedures despite published reports that DHS has been violating County procurement policy.

## RECOMMENDATIONS

The Grand Jury Recommends:

- R1. By December 31, 2024, DHS will initiate regular public reports of the programs for which an award has been or is intended to be made (including those programs without a contractor), the contracts in effect, the date of execution of every contract, the contract term, and explanations for any contracts not executed prior to the effective service start date (F1, F2).
- R2. By November 1<sup>st</sup>, 2024, DHS and County Human Resources departments shall submit a recruitment and retention plan to the County Executive to reduce DHS vacancies to no more than 10% of authorized non-field positions. (F3, F4)
- R3. By December 31, 2025, the Board of Supervisors will request, and County Auditor will complete and publish, a comprehensive audit report on DHS procurement processes and procedures, contract administration oversight and compliance with County procurement policy and publicly present said report to the Board of Supervisors. (F1, F3, F6, F7)
- R4. By January 1, 2025, County Purchasing and the County Controller shall implement a system that ensures all no-bid and sole-sourced contracts are identified, accounted for as such, publicly reported, and have required supporting documentation and waivers on file. (F3, F4, F5 F6)

## **REQUIRED RESPONSES**

Pursuant to Penal Code §§ 933 and 933.05, the Grand Jury requires responses as follows:

Sonoma County Department of Health Services (R1, R2)

Sonoma County Department of Human Resources (R2)

Sonoma County Board of Supervisors (R3)

Sonoma County Auditor-Controller- Treasurer-Tax Collector (R3, R4)

Sonoma County Purchasing Division (R4)

The governing bodies indicated above should be aware that their comments and responses must be conducted subject to the notice, agenda, and open meeting requirements of the Brown Act.

## **INVITED RESPONSES**

Sonoma County Executive (R1, R3, R4)

## **BIBLIOGRAPHY**

2018-2019 “The Behavioral Health Budget; A Perfect Storm” Final Report Sonoma County Grand Jury

2021-2022 “Dedication Overcame Dysfunction” Final Report Sonoma County Grand Jury