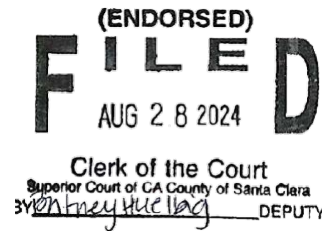


# County of Santa Clara

Office of the County Executive

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**Date:** August 27, 2024  
**To:** Greta S. Hansen, Chief Operating Officer  
**From:** James R. Williams, County Executive  
**Subject:** Responses to the Santa County Civil Grand Jury’s Final Report, “No Strings Attached”

The Santa Clara County Civil Grand Jury’s Final Report, “No Strings Attached” contained multiple findings and recommendations that require a response from the County of Santa Clara (County), consistent with the provisions of California Penal Code § 933.05. This memorandum contains the response from the County Administration, with input from the Office of the Clerk of the Board.

## ***Finding 1***

*The Board’s role is primarily policymaking, oversight, and providing legislative authority. The Board does not have day-to-day operational responsibilities. As such, the Board is ill-equipped to administer and monitor the inventory item grant program.*

## **Response to Finding 1**

The County agrees with this finding. The Charter and state law do not provide for the Board of Supervisors to administer programs or have day-to-day operational responsibility. Accordingly, the Office of the Clerk of the Board of Supervisors administers the budget for inventory items, including payments, and processes all post-approval paperwork associated with inventory items, including initiating contact with the grantee, requesting proper signatory, requesting certification of good standing with the California Secretary of State, issuing and receiving the grant agreement, obtaining an acknowledgment of receipt of funds, and monitoring whether and when funds are expended. Further, the Office of the Clerk of the Board follows up with the grantee and receives any impact reports/compliance letters in cases where a Board office had included conditions of approval. The Office of the Clerk of the Board tracks the status of each of these milestones and follows up when necessary.

As noted in the Civil Grand Jury report, consistent with its role, the Board has periodically established policies and guidelines for inventory items. The report further notes that the current Board of Supervisors has approved a cap on inventory items and a cover sheet to gather information used as part of the approval process. Additionally, at the June 18, 2024, Board of Supervisors meeting, the Board approved the Management Auditor’s workplan for Fiscal Year 2024-2025 (Item No. 59), with additional direction by Supervisor Simitian to the Management Auditor to include random audits of budget inventory items in the Management Auditor’s workplan.

### ***Recommendation 1***

*The County should put the direction and management of the inventory item grant program under the County Executive's Office and the Board should provide the County Executive with whatever policy direction the Board finds appropriate for an inventory item grant program.*

### **Response to Recommendation 1**

The County disagrees with this recommendation and will not implement as it is not warranted or it is not reasonable. Inventory items are a part of the annual budget process, whereby the Board has chosen to make specific grants to particular programs and organizations outside of the normal administrative processes for the awarding of contracts for services utilized by departments under the direction of the County Executive. Accordingly, the Office of the Clerk of the Board is the more appropriate office to administer inventory items for the Board of Supervisors.

### ***Finding 2***

*Although the County has implemented an informational cover sheet, the County's current inventory item program does not have a consistent solicitation approach, eligibility requirements, or approval criteria, creating great inconsistencies across the Supervisorial Districts in the manner in which County funds are recommended to be awarded.*

### **Response to Finding 2**

The County agrees with this finding. Other than the eligibility requirement that the non-governmental entity be in good standing with the California Secretary of State, the solicitation approach and approval criteria are determined by individual Board offices.

### ***Recommendation 2***

*The County should use a common online application process for all applicants, regardless of Supervisorial District. The application should include, at a minimum, the following information:*

- *Applicant organization's mission.*
- *Size of the applicant organization.*
- *Specific amount being requested.*
- *Applicant organization's annual budget.*
- *Proposed summary program budget, including any indirect and/or administrative fees.*
- *Description of how funds will be used and what County priorities they support.*
- *The amount of matching or other grant or contract funds available or already received by the organization.*
- *Anticipated measurable outcomes for the proposed program.*

### **Response to Recommendation 2**

The County disagrees with this recommendation and will not implement as it is not warranted or it is not reasonable. One of the advantages of the grants disbursed through the inventory process is they are low barrier, and therefore do not require a significant amount of work on behalf of the applicant entity to apply for and potentially receive funds. The process is intentionally designed to be simple and streamlined. The cover sheet includes questions covering 1) the specific amount being requested; 2) information about which Board of Supervisors strategic priorities the proposed program supports; 3) whether the entity is a

current or past recipient of County funding for the same or similar program activities; 4) whether the entity has current contracts, grant agreements, sponsorships, or other funding from the County; 5) if partial funding would enable the entity to effectively carry out program activities; and 6) whether the entity applied to other Supervisorial districts for the same purpose. The standard grant agreement contains language regarding *Purpose and Activity*, which specifies the purpose of the funding, and a further provision addresses *Return of Funds*, in case the purpose of the grant is not fulfilled. It is unclear that listing the organization’s mission, size, and annual budget would provide additional useful decision-making criteria to Board members above and beyond the existing information provided through the cover sheet and application; information relating to a proposed summary budget and measurable outcomes is beyond the spirit of the inventory process and would be more appropriately embedded in County service contracts.

### ***Finding 3***

*The existing inventory item program has failed to meet the Board’s stated purpose, which is to give one-time grants to small, start-up CBOs, which would not otherwise have the means or expertise to request grants.*

### **Response to Finding 3**

The County partially disagrees with this finding. The report itself acknowledges the evident lack of “original parameters, guidelines, or authorization for inventory items (p. 8).” Giving one-time grants to small, start-up community-based organizations is understood to be one purpose of inventory items, but not the sole purpose. The January 23, 2024 (Item No. 14) Board referral made by Supervisors Ellenberg and Arenas indicated “[a]dvantages of the inventory grant process include opportunities for small organizations to secure grants without lengthy or complicated applications for which they may not have the organizational infrastructure to complete,” but also includes other purposes such as Board members becoming aware about a range of needs in their district that may not otherwise have come to light, and allowing Board members to fund issues important to them and their constituents that may not rise to the level of a Board or organizational priority.

### ***Recommendation 3***

*The County should create a consistent set of rules and guidelines for review and approval of inventory item awards that meets their goal of supporting smaller organizations, considering but not limited to the following:*

- *Limit inventory item grants to organizations that do not have an existing contract with the County.*
- *Set an annual \$250,000 cap on total inventory item grants that each Supervisorial District can award.*

### **Response to Recommendation 3**

The County disagrees with this recommendation and will not implement as it is not warranted or it is not reasonable. The Board of Supervisors has instituted additional rules and guidelines for review and approval of inventory item awards, but as in the response to Finding 3, the County disagrees that supporting smaller organizations is the sole purpose of grants awarded through inventory items. Serving the community by supplementing the existing work of the County organization is said to be one purpose of the grants, and excluding entities from awards if they have an existing contract with the County could hinder that aim by reducing the pool of potential deserving awardees. Maintaining a cap at a limit (such

as the current cap established for Fiscal Years 2024-2025 and 2025-2026) set by the Board has merit, and the Board will continue to evaluate guidelines and questions of scale in future budget cycles.

#### ***Finding 4***

*The current inventory item program lacks effective recipient accountability to ensure inventory item grant money is used for its approved purposes, making it difficult for the County to judge the program's effectiveness.*

#### **Response to Finding 4**

The County partially agrees with this finding. The standard grant agreement template used for inventory items includes provisions covering adherence to the approved grant purpose. For those small dollar grantees associated with many inventory items, more extensive tracking of whether grant funds were expended for their approved purpose would be onerous on the recipient entities and could reduce the impact of these grants. The Office of the Clerk of the Board tracks whether grant funds have been expended, and, as a process improvement already under way, has begun tracking receipt of impact reports/compliance letters in cases where conditions of approval were set by a Board office. Additionally, the Fiscal Year 2024-2025 approved workplan for the Board's management auditor will include random audits of inventory items, which could provide an indication about the extent to which exceptions exist to the use of grant money for approved purposes.

#### ***Recommendation 4***

*The County should require recipients to provide annual progress reports and financial reports, and, if needed, the County should audit the organization's expenditure records.*

#### **Response to Recommendation 4**

The County disagrees with this recommendation and will not implement as it is not warranted or it is not reasonable. Providing annual progress reports and financial reports for predominantly one-year, modest dollar grants to mostly community-based and smaller governmental organizations runs counter to the spirit of a low-barrier grant program. Auditing organizations' expenditure records would not be cost-effective for the County, given the fiscal and legal staffing hours that would be required for such an effort. The random audits approved as part of workplan for the Board's management auditor serves as a more appropriate use of County dollars.

#### ***Finding 5***

*Under the current process, a single elected official has largely unregulated autonomy to award public funds to a particular organization of their choosing using a system that lacks transparency. There is no way to avoid the appearance of favoritism in a grant program that the Board administers itself.*

#### **Response to Finding 5**

The County partially disagrees with this finding. Regardless of an individual Supervisor's discretion to select entities as proposed recipients of inventory grant items, full Board approval is required to award funding. In terms of transparency, the application process is listed on each Supervisorial District's public webpage. Inventory items listed on the May 15, 2024 Budget Workshop agenda were made posted on the County website and made public eight calendar days in advance of the meeting. Meetings are open to the public and public comment is taken on inventory items. As the report notes, the current Board of Supervisors has taken concrete steps to better regulate the process.

***Recommendation 5***

*If the County does not agree with the previous four recommendations, then it should eliminate the current inventory item program entirely.*

**Response to Recommendation 5**

The County disagrees with this recommendation and will not implement as it is not warranted or it is not reasonable. The County agrees that additional controls and limits on inventory items would make the process easier to administer overall and effectively track expenditures against approved purposes for a greater share of awards, but the overall program has been determined to be of value by several successive Boards over the years.