Children & Families
Commission of Orange County

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Agenda Item No. 2
November 7, 2007 Meeting

DATE: November 7, 2007

TO: Children and Families Commission of Orange County

FROM: Michael M. Ruane, Executive Director

SUBJECT: **OCERS Status Report and Interim Action Plan**

SUMMARY:
Since October 2000, the Commission has contracted with the Corporation for Standards and Outcomes (CS&O) to provide, operate, and support the Outcomes Collection Evaluation and Reporting System (OCERS).

OCERS provides the Commission with an automated, real-time management tool for evaluation of services funded by the Commission; data collection and program performance measurement; and contract monitoring and invoice payments. OCERS is central for effective service delivery, program evaluation, and core business support.

Two-Year Agreement
In May 2006, the Commission approved a new two-year agreement with CS&O for application provider services. The goal of the new agreement was to secure use of the OCERS software, align the contract term with the Commission's fiscal year, obtain fair pricing based on a fixed fee approach, and ensure the continued availability of certain CS&O staff essential to on-going operation and maintenance of OCERS. Consistent with Commission direction, the Performance Guaranty and Royalty provisions included in previous agreements with CS&O were retained in the new agreement.

Quarterly Review of CS&O
With the Commission being CS&O's single largest client, it has been important to monitor and evaluate the financial stability of CS&O and its position as a going concern. Each quarter, LMS Consulting performs a review of CS&O's financial statements, verifies the accuracy of contract charges invoiced to the Commission. The Commission most recently approved LMS Consulting as a firm on the "on call" professional services panel in May 2007. Larry Seigel, a former partner of Ernst & Young, is the Principle of LMS Consulting.

Functional Requirements for Core Business Software
When the Commission approved the two-year extension agreement with CS&O in May 2006, staff was directed to prepare an RFP for software system services for the period following expiration of the current CS&O agreement on June 30, 2008, in the event your Commission wanted to explore this option.

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An RFP for the selection of a major business software system relies on technical documentation that identifies and describes the core business requirements that are to be supported by a software solution. This approach allows multiple vendors to submit their products for consideration by the Commission, and facilitates the evaluation of alternative proposals against a specific set of technical specifications required to support the core business needs of the Commission.

MICON Consulting, a firm independent of all software vendors and products, was utilized to prepare the technical documentation for the RFP. Their work will be completed by the end of November. The technical specifications will describe the Commission's core business requirements as they currently exist, but will not contain any recommendations for change pending completion and outcomes of the Bridgespan strategic assessment.

Reorganization of FHC Health Systems, Inc. – Parent Company of CS&O

On August 27, 2007, CS&O notified the Commission that their parent company, FHC Health Systems, Inc. (FHC), was seeking an investor to purchase a portion of ValueOptions, the largest subsidiary of FHC. For the sale to occur, FHC's remaining subsidiaries, including CS&O, would branch off into a separate entity called RID Ventures.

In a letter dated September 11, 2007, FHC said that they contemplate their corporate reorganization would take place in the fourth quarter of 2007, "...pursuant to which the current FHC family of health care and related businesses will be divided into two holding companies, one with ValueOptions as the parent entity, and one with RID Ventures, LLC as the parent entity." The letter stated that "CS&O will become a wholly-owned subsidiary of RID Ventures (which will continue to be controlled by Ronald I. Dozoretz, MD, who is currently the controlling shareholder of FHC Health Systems)."

It is important that the Commission develop a thorough understanding of the details of the FHC and CS&O reorganization so that potential impacts on the Commission as a result of the corporate reorganization are identified, risks are assessed, and action plans are put in place so that we have an assurance that the Commission is appropriately protected from any interruption or problem with the services provided by CS&O. The Performance Guaranty remains in place in the current agreement with CS&O.

Likewise, financial statements, and related information, would be evaluated to obtain a clear picture of the stability, liquidity, and resources of RID Ventures - the new parent company of CS&O.

Consulting Services

Because of the unique nature of the scope of services, it is more appropriate for LMS Consulting to be retained under a separate professional services agreement to perform the analysis discussed above, and to assist the Commission to develop interim and long-term action plans to ensure uninterrupted application provider services to support Commission operations into the future. Additionally, LMS will integrate MICON's technical evaluation of OCERS, together with any relevant recommendations from Bridgespan's strategic assessment, as their appraisal may lead to structural changes in Commission operations and necessitate changes to the capabilities currently provided by OCERS.

STRATEGIC PLAN & FISCAL SUMMARY:
The proposed action has been reviewed in relation to the Commission's Strategic Plan and is consistent with the "Capacity Building" goal. Sufficient funds for this request are available in the Commission's approved FY 2007-08 Annual Operating Budget within the Performance Outcomes Measuring Systems budget category. This funding request is for a not-to-exceed amount of $50,000 for the period November 1, 2007 through April 30, 2008.

PRIOR ACTION:
On May 3, 2006, the Commission approved a two-year agreement (July 1, 2006 through June 30, 2008) with CS&O for OCERS application services, and on June 27, 2007, approved a $35,000 amendment to the CS&O agreement for two OCERS system enhancement projects: 1) Electronic Interface for Invoice Payments to Grantees and Contractors, and 2) Transferring OCERS Data to the Balanced Scorecard Report.

RECOMMENDED ACTION(S):

1. Authorize Executive Director or designee to negotiate the terms and enter into Agreement #C-233 with LMS Consulting to provide professional consulting services for the period November 1, 2007 through April 30, 2008, in an amount not to exceed $50,000.

Contact: Steve Kozak, COO

Reviewed and approved: