



## Agenda Submittal

**Agenda #:** 11 **Status:** Received and Filed  
**Type:** Report **Department:** County Administrator  
**File #:** 17-486 **Contact:** Debbie Vaughn, 784-6113  
**Agenda date:** 6/27/2017 **Final action:** 6/27/2017  
**Title:** Accept an audit report of two Community Services Block Grant Contracts administered by Community Action Partnership of Solano, Inc. on behalf of Community Action Partnership of Solano County Joint Powers Authority; Consider repayment to the State Department of Community Services and Development of \$70,838 in Community Services Block Grant fund expenditures which were found to ineligible; and Approve an Appropriation Transfer Request (ATR) for FY2016/17 in the amount of \$70,838 to make the necessary end of year budgetary and accounting entries to transfer County General Funds to CAP Solano JPA Fund 173 (4/5 vote required)  
**Governing body:** Board of Supervisors  
**District:** All  
**Attachments:** 1. A - State Letter, 2. B - Final Audit, 3. C - MOU, 4. Minute Order

Date	Ver.	Action By	Action	Result
6/27/2017	1	Board of Supervisors	Approved	

Published Notice Required? Yes ☐ No ☒  
Public Hearing Required? Yes ☐ No ☒

### DEPARTMENTAL RECOMMENDATION:

It is recommended that the Board of Supervisors accept an audit report of two Community Services Block Grant Contracts administered by Community Action Partnership of Solano, Inc. (CAP Solano Inc.) on behalf of Community Action Partnership of Solano County Joint Powers Authority (CAP Solano JPA); Consider repayment to the State Department of Community Services and Development of \$70,838 in Community Services Block Grant fund expenditures which were found to ineligible; and Approve an Appropriation Transfer Request (ATR) for FY2016/17 in the amount of \$70,838 to make the necessary end of year budgetary and accounting entries to transfer County General Funds to CAP Solano JPA Fund 173 (4/5 vote required)

### SUMMARY:

The Board is asked to accept the findings of a Community Services and Development desk review of the audit, submitted by the Solano County Auditor Controller, of FY2013/14 Community Services Block Grant (CSBG) funds which were administered by CAP Solano Inc. and submitted to the California Department of Community Services and Development. County staff recommends the Board approve actions to repay \$70,838 in CSBG fund expenditures found ineligible for reimbursement but previously remitted to CAP Solano Inc.

CAP Solano JPA retained independent staff to administer all aspects of funding and financial reporting that, in turn, was required to fulfill the obligations of the Memorandum of Understanding (MOU) between the County and the CAP Solano JPA. Managing and administering Housing and Urban Development (HUD) and CSBG funds were some of the primary responsibilities. In 2013, a review of the CAP Solano JPA financial records was undertaken by the Auditor-Controller and Health and Social Services (H&SS) to reconcile a \$749,675 negative cash balance created in CAP Solano Fund 173 by the independent staff. As part of the financial

review, H&SS completed and billed all eligible outstanding reports to HUD including claims for reimbursement of eligible costs and recovered over \$425,000 in revenues on behalf of CAP Solano JPA. The review identified \$102,178 of HUD audit exceptions and \$221,089 of expenditures relating to CSBG funds which were determined ineligible and disallowed costs. The recovery for those costs were investigated and pursued; however the funds were expended by various non-profits who relied on the CAP Solano JPA's independent staff's approval and County staff determined recovery of the funds was not feasible without adverse impact to the nonprofits ongoing operations. On June 24, 2014 the Board of Supervisors was asked and approved an initial write off of \$102,178 in HUD related audit exceptions on behalf of the nonprofits involved. On July 28, 2015, the Board of Supervisors was asked and approved a second write off of \$129,723 which represented the remaining outstanding uncollectible balance.

### **FINANCIAL IMPACT:**

The CAP Solano JPA as initially established and empowered by the Board of Supervisors in 1999 was authorized to receive and administer the County's Federal funds from HUD estimated to be \$1.1 million per year, and the County's CSBG from the State of California estimated at \$400,000 per year. The CAP Solano JPA was to use the funds as a means to bring local government together to focus on reducing poverty and homeless issues throughout the County. The County Board also authorized and annually appropriated a General Fund contribution of \$86,975 to the CAP Solano JPA to assist in securing independent administrative support for the JPA. Given the HUD and CDBG funding requiring financial reporting and are cost reimbursement programs, the Board authorized a cash flow "Float" under the agreement to allow for timing of reimbursements for eligible costs for services provided by local providers under the two funding sources.

The cash flow advances were authorized by the Board and a separate fund was established to allow for reimbursement of claims made to the State and Federal government through the Auditor-Controller's Office with a commitment the CAP Solano JPA would be responsible for any repayment. By 2012, the cash draw advance had increased to \$749,675, and inquiries were made by H&SS and Auditor staff. In 2013 a financial review was undertaken jointly with H&SS staff working to secure and file outstanding financial reports for contracted services provided and reimbursed locally by JPA staff but not reported and claimed to HUD or CSBG. These initial efforts by County staff were successful in securing reimbursements of over \$425,000. H&SS Staff was able to recover all eligible HUD costs, but due to audit exceptions, and disallowed costs, \$102,178 of HUD funds were deemed uncollectable and written off on June 24, 2014 leaving a remaining balance of \$221,089. The County Administrators Office and Auditor Controllers Office were able to secure a credit of \$92,975 for services performed by CAP Solano Inc. (Non-Profit) as staff to the CAP Solano JPA bringing the negative cash balance as of June 30, 2015 to \$129,713. This balance was written off with Board approval on July 28, 2015. The Final Audit of two CSBG grants administered by CAP Solano Inc. identified ineligible costs totaling \$70,838 and the State Department of Community Services and Development, after review of the audit, now requires repayment. If approved, FY2016/17 County General Fund will be the source of the repayment amount.

### **DISCUSSION:**

In 1994, the Solano County Economic Opportunity Council (SCEOC), which provided safety net services to low income residents in Solano County, ceased operations. The Board of Supervisors established the Solano County Community Action Agency (CAA) to help rebuild the safety net and to ensure that State Community Services Block Grant (CSBG) funds, available only to community action agencies, would continue to be available in Solano County.

In 1998, the County, along with the cities of Fairfield, Vacaville, and Vallejo, established a task force to address concerns regarding homelessness in Solano County. In 1999, as a result of the recommendations from the task force, the County established the Solano Safety Net Consortium, a Joint Powers Authority (JPA), which was initially joined by the cities of Fairfield, Suisun, Vallejo, Benicia, Dixon, and later, on October 14, 2014, by Vacaville. The purpose of the JPA was to develop and implement strategies, services, and systems to assist

low income and homeless persons and families to become self-sufficient. The intent of the JPA was to maximize federal and State funding that otherwise would not be available to any one entity. The JPA could also leverage all existing resources within the County, allow each jurisdiction to contribute to solutions, and develop consistent policies and practices to serve homeless individuals and families. The Board of Supervisors held a public hearing and passed a resolution to de-designate Solano County as the Community Action Agency and designate the Solano Safety Net Consortium (JPA) as the Solano Community Action Agency to receive State CSBG funding.

On May 9, 2006, the JPA was officially renamed the Community Action Partnership of Solano County or CAP Solano JPA, to reflect the national trend of community organizations and local governments working together in partnership on reducing homelessness and providing basic safety net services.

H&SS, on behalf of the County, entered into a Memorandum of Understanding (MOU) for the period of July 1, 2009 through June 30, 2014, between the County of Solano and the CAP Solano JPA, wherein the County agreed to provide a County General Fund contribution of \$86,975 for support. The contribution was included in the County budget as a contribution to a Non-County Agency. The primary purpose of the MOU was to designate the CAP Solano JPA as the administrator of the H&SS HUD grants, and CSBG funding for homeless services; and so the JPA could have staff support. The staff support was originally a small business owned and operated as PJ Davis and Associates which later became CAP Solano, Inc. (non-profit) with PJ Davis as the Executive Director.

A Memorandum of Understanding between the State of California, the CAP Solano JPA, and the CAP Solano, Inc. (non-profit) dated December 2012 was negotiated and signed whereby CSBG funding was sent directly to CAP Solano, Inc. (non-profit). Through 2014, the CSBG funds were paid directly to the non-profit rather than the JPA. A review of County records did not find that the Board of Supervisors concurred with the transfer and change in designee from the JPA to the non-profit. An audit was conducted in 2013 to reconcile a negative cash balance and, on June 24, 2014, the Board of Supervisors was asked an approved a write off of \$102,178 in HUD related audit exceptions. A second write off of \$129,713 was requested and approved on July 28, 2015.

On June 16, 2014, the CAP Solano JPA voted to re-designate the CAP Solano JPA as the Community Action Agency, which made the CAP Solano JPA the recipient of the State CSBG funding, effective FY 2014/15.

The Final Audit of the two CSBG grants for the period of June 1, 2013 through December 31, 2014 identified ineligible expenditures claimed and previously remitted to CAP Solano Inc. CAP Solano JPA's response is included on page 22 of the Final Audit and indicates that after the dissolution of CAP Solano Inc., CAP Solano JPA was unable to locate all documentation as required by CSD. CAP Solano JPA is unable to recover the ineligible expenditures from CAP Solano Inc. as the entity is no longer in existence and therefore requests that Solano County repay the \$70,838 to CSD due to the timing of the State's request to remit payment within 15 days.

### **ALTERNATIVES:**

An alternative for the Board of Supervisors would be to not write repay the ineligible expenditures and pursue legal action against CAP Solano JPA and the individual Board of Directors of the former CAP Solano Incorporation; however, this is not recommended since the County is a partner in the CAP Solano JPA.

### **OTHER AGENCY INVOLVEMENT:**

The County Auditor Controller prepared the Final Audit. CAP Solano JPA, through the financial administrator (City of Vacaville), provided available documentation to support the Final Audit.

### **CAO RECOMMENDATION:**

## APPROVE DEPARTMENTAL RECOMMENDATION