



SOLANO COUNTY GRAND JURY
2013-2014

Fund 173 – AS CLEAR AS MUD

FUND 173 – AS CLEAR AS MUD

2013-2014 Solano County Grand Jury

I. INTRODUCTION

The 2013-2014 Solano County Grand Jury tasked itself with looking into services and assistance directed toward the economically disadvantaged in Solano County.

What began as an investigation into a financial shortfall (\$322,767) to the County taxpayers, a troubling, multi-layered look into both the County and the Community Action Partnership of Solano - Joint Powers Authority (CAP-JPA) a relationship emerged which could be best described as dysfunctional.

Within the funding mechanism, which is known as Fund 173, the Grand Jury examined the relationship between the County, Community Action Partnership of Solano – Joint Powers Authority (CAP-JPA) and Community Action Partnership of Solano, Incorporated (CAP, Inc.).

During our investigation we found a lack of oversight and fiscal responsibility by the County. In addressing a deficit created over a period of 10 years, a myriad of problems surfaced.

One member of the 2013-2014 Grand Jury was recused from this investigation. This Juror was excluded from all parts of the investigation, including interviews, deliberations, and the making and acceptance of the report.

II. METHODOLOGY

Interviewed:

- Staff of Solano County
- Staff of Community Action Partnership of Solano-Joint Powers Authority (CAP of Solano-JPA)
- Staff of Community Action Partnership of Solano, Inc. (CAP of Solano, Inc.)
- Staff of HomeBase – Center For Common Concern, Inc.

Reviewed:

- Program Monitoring Reports from U.S. Department of Housing & Urban Development (HUD) dated July 14, 2008
- Memorandum of Understanding (MOU) between CAP of Solano-JPA and CAP of Solano, Inc. signed January 12, 2010
- Audit Reports for Funds 173 & 902 from Solano County covering 2003-2013
- 2012 Community Services Block Grant Information System Survey
- Vallejo/Solano County Continuum of Care Evaluation prepared by HomeBase dated July 2013
- Audit Report for Community Action Partnership, Inc. ending June 30, 2012
- CAP of Solano- JPA Board Resolution 2013-01
- Audit Report for Community Action Partnership, Inc. ending June 30, 2013

- Memorandum of Understanding (MOU) #06030-10 dated July 1, 2009 – June 30, 2014 between County of Solano and Community Action Partnership of Solano County (CAP of Solano - JPA) (that entity formed under the “Joint Exercise of Powers Agreement, Solano Safety Net Consortium” dated July 1999), a joint powers authority of Solano County
- Articles of Incorporation for CAP of Solano, Inc.
- Application for Community Services Block Grant (CSBG) for year 2014-15
- Creation of Joint Exercise of Powers Agreement Solano Safety Net Consortium
- American Recovery & Reinvestment Act of 2009 (ARRA)
- Financial Management Monitoring – Supportive Housing Program for Solano County
- CSBG Monitoring Report C08-059 CAP of Solano-JPA March 4, 2009 Community Service Development (CSD) Contract
- U.S. Government Accounting Standards GAO-12-331G
- The Brown Act (governing public meeting standards)

III. STATEMENT OF FACTS

In 1998, Solano County, along with the cities of Fairfield, Vacaville, and Vallejo established a task force to address concerns regarding homelessness. As a result of recommendations from the task force, in 1999 the County established the Solano Safety Net Consortium, a Joint Powers Authority (JPA), which was joined by the cities of Benicia, Dixon, Fairfield, Rio Vista, City of Suisun City and Vallejo. (Vacaville is currently not a signatory but has a member who participates in the consortium.) The purpose of the JPA is to develop and implement strategies, services and systems to assist low income and homeless persons and families to become self-sufficient.

There are multiple streams of income which are primarily from the federal government identified as Housing & Urban Development (HUD) Grants and those that are identified as Community Service Block Grants (CSBG) which come through the State of California. It is the intent of the JPA to maximize the distribution of HUD and CSBG funding that would not be available to any one single entity.

Nationwide, JPA organizations are referred to as Continuum of Care (C of C) agencies. In 2006 the JPA was officially renamed Vallejo/Solano Community Action Partners JPA (CAP JPA).

CAP of Solano - JPA is an organization whose purpose is to assist and serve the needs of the economically disadvantaged represented within our geographical area. A network of approximately 100 partners/stakeholders, includes nonprofits, faith based organizations, public and private businesses, school districts, police and city governments, that cooperate to render comprehensive service to the economically disadvantaged, individuals and families in need, and the formerly incarcerated.

The CAP of Solano - JPA only meets four times a year and does not maintain a web site. The Agenda in advance of their meetings; and Minutes of their meetings are not posted for the public to review, in accordance with The Brown Act.

An Executive Director (PJ Davis & Associates) was hired in 2000 to advise, direct, and administer CAP of Solano - JPA. Their role is to act as a clearing house for information, to organize and coordinate activities of the stakeholders. It also acts as a facilitator in charge of overseeing grant applications for state funds (CSBG) and federal funds (HUD) for and by the stakeholders. While some stakeholders are authorized to submit for and receive grants separately, CAP of Solano - JPA is responsible for the majority of grant applications. Grant awards are based on need, population to be served, services supplied and by administrative expenses generated by those services.

Health and Social Services (H&SS) is the largest department in Solano County Government. It has the most employees and the largest budget. Its purpose is to provide services that promote self-reliance and safeguard the physical, emotional and social well-being of the people of Solano County as required under state law. It provides mental health, social services, public assistance and health services. The administrative division of H&SS provides budget development and monitoring, fiscal oversight, reporting and control and contract management. Solano County H&SS has the responsibility of coordinating and overseeing the grant application submissions by CAP of Solano - JPA and forwarding invoices to the Auditor/Controller Office (ACO) for processing.

Under the 1999 Joint Powers Agreement (JPA) the Solano County Auditor-Controller is designated as the Treasurer/Auditor of the JPA. Article II of the 1999 JPA states:

Pursuant to Sections 6505.5 and 6505.6 of the Act, the treasurer of one of the cities or the county treasurer or a certified public accountant shall be designated by the Board as the Treasurer/Auditor of the Consortium. The Treasurer/Auditor shall be the depository, shall have custody of all of the accounts, funds and money of the Consortium from whatever source, shall have the duties and obligations set forth in Sections 6505 and 6505.5 of the Act and shall assure strict accountability of all funds and reporting of all receipts and disbursements of the Consortium. As provided in Section 6505 and 6505.6 of the Act, the Treasurer/Auditor shall make arrangements with a certified public accountant for an annual independent audit of accounts and records of the Consortium.

In 2001, Fund 173 was established by the ACO to assist with cash flow delays that are inherent with grant disbursements (HUD & CSBG). Fund 173 is an internal account which is not reflected in the Solano County Budget as a separate identifiable line item. County Fund 173 would cover expenses that were expected to be reimbursed to the County by the grant awards.

While the majority of the federal grant monies requested were awarded, some were not. Various reasons for payment denials included expenditures that did not meet requirements for reimbursement or exceeded allowable limits.

On May 27-29, 2008 the U.S. Department of Housing & Urban Development Programmatic Monitoring Visit - CAP of Solano - JPA created the report which summarized its monitoring conclusions. **HUD identified one finding. A finding is particularly significant because it represents a clear violation of the regulation. Failure to correct the finding could result in a variety of sanctions against the County, including the repayment of Supportive Housing Program Funds (SHP). HUD also identified four monitoring concerns. A concern, while not a clear violation of the regulations, could be elevated to the level of a finding if it is not corrected. One reason for the May 29th closeout meeting was to discuss possible corrective actions, CAP of Solano (JPA), the County's lead agency for the SHP Funds could initiate prior to the receipt of the monitoring letter.**

HUD's identified issues are:

- *Finding number 1- Failure to comply with the Resident Rent Requirements set forth in 24CFR Part 583.315.*
- *Concern number 1- Adequacy of written agreements with project sponsors.*
- *Concern number 2a - Adequacy of CAP's monitoring of its project sponsors.*
- *Concern number 2b - Adequacy of homeless documentation.*
- *Concern number 3 - Need for distributive time sheets to document salary costs.*
- *Concern number 4 - Adequacy of documentation supporting the use of resident rent as match.*

On March 4, 2009, the Community Services Block Grant (CSBG) Monitoring Report C08-059 was issued covering the site visits to CAP of Solano (JPA) conducted November 5-7, 2008. Eighteen findings were cited and explained in the Monitoring Report in the following areas:

Board Findings one through three are material requirements of the Community Service Development (CSD) Contract.

- *Board Finding One
Democratic Selection Process*
- *Board Finding Two
Conflict of Interest*
- *Board Finding Three
Timely submittal of Board Meeting Minutes*

JPA Findings one through four are material requirements of the CSD Contract.

- *JPA Finding One
No mention of the Tripartite Board*
- *JPA Finding Two
No Procedures to secure Maximum Feasible Participation*
- *JPA Finding Three
Any Bylaws created by the Board are not binding*
- *JPA Finding Four
Scope of People Service*

Bylaw Findings one through two are material requirements of the CSD Contract.

- *Bylaw Finding One*
No Tripartite Board
- *Bylaw Finding Two*
Conflict of Interest

RFP Process Findings one through three are material requirements of the CSD Contract.

- *RFP (Request For Proposal) Process Finding One*
The Tripartite Board or the Governing Board is not involved in the RFP Process
- *RFP Process Finding Two*
Conflict of Interest
- *RFP Process Finding Three*
Closed Door Meetings

General Findings one through five are material requirements of the CSD Contract.

- *General Finding One*
Conflict of Interest
- *General Finding Two*
Written Notification of Subcontracts
- *General Finding Three*
Out of Date Insurance
- *General Finding Four*
Lack of Internal Controls
- *General Finding Five*
Monitoring of Subcontracting

CSD recommends CAP Solano work closely with CSD to develop a Plan of Action (the meeting should be scheduled by March 31, 2009) that will include training and technical support.

Training should include the following areas:

- *Developing procedures for receiving Proposals*
- *How to evaluate the Proposals*
- *What The Brown Act is and how it applies to Community Action Plan*
- *Developing meaningful bylaws*
- *Determine the best structure for the Governing Board*
- *The importance of having and developing internal controls*
- *The role and responsibility of the Tripartite Board*
- *How to monitor subcontractors*
- *What does it mean to move people to self-sufficiency*
- *The role of the Tripartite Board in developing a Community Action Plan which allows for open public participation*
- *Subcontractors should show how they relate to achieving the Community Action Plan*

This is a partial list, other areas of training and technical support may come to light as the Action Plan is developed.

Even with the awareness of the above Findings and Concerns, on June 4, 2009, a Memorandum of Understanding (MOU) was signed between the County and CAP of Solano - JPA which basically reaffirmed the 1999 agreement of the responsibilities and duties of both. Under the MOU the County provides monies from the General Fund to the CAP of Solano - JPA to be used as operating expenses annually. The MOU also stipulates the County will “provide limited coverage” for cash flow shortfalls in CAP of Solano - JPA’s operating fund. CAP of Solano - JPA agrees to reimburse the County in full, including interest for the shortfalls, upon reimbursement from the funding source (i.e., HUD, CSBG). The 2009 MOU was approved for a period of 5 years, and expires on June 13, 2014. A new MOU is currently under consideration.

Solano County budgets \$86,975 per year to CAP of Solano-JPA for operating expenses. The County also provided additional contract services and in-kind services totaling \$52,250 in 2012.

The Executive Director of the Community Action Partnership-Joint Powers Authority formed a non-profit corporation named Community Action Partnership of Solano, Incorporated. The Articles of Incorporation were filed on June 29, 2009 with the Internal Revenue Service. These articles state *Community Action Partnership of Solano Incorporated will act as the designated Community Action Agency for Solano County*. Solano County Board of Supervisors established the Solano Safety Net Consortium in 1999, a Joint Powers Authority (JPA). The JPA was subsequently designated by the State of California as the Community Action Agency for Solano County. The Solano County Board of Supervisors authority and designation were usurped by the new entity, CAP of Solano, Inc.

In 2009, the Executive Director of CAP of Solano - JPA filed to create a 501(C) (3) for organization as a non-profit. CAP of Solano, Inc. now serves a dual role as leadership group of the JPA and as an Inc., a non-profit entity. It can now file independently to the State for grants. CAP of Solano Inc. stated the move “increased transparency”. The County staff stated the move “muddied the waters”. CAP of Solano Inc. can now file independently for CSBG funds, (Federal monies administered through the State), which now come directly to CAP of Solano Inc. **These funds are outside of the review process of the Solano County Auditor/Controller Office (ACO).**

An MOU between CAP of Solano - JPA and CAP of Solano, Inc. was entered into in January 2010 for a period of five years, expiring January 2015. The MOU was signed by the President of CAP of Solano, Inc. while also serving as a member of CAP of Solano - JPA Board. The purpose of this MOU is to designate CAP of Solano, Inc. as the administrator of HUD money received by CAP of Solano - JPA. The MOU also defines the responsibilities of the parties related to CAP of Solano, Inc. activities, including CSBG and other low income grants and fiscal services obtained by CAP of Solano - JPA.

The Board of Directors of CAP of Solano - JPA and CAP of Solano, Inc. share several of the same Board Members as of FY 2012-2013. **One hundred percent (100%) of the JPA Board serves on the Inc. Board.**

Vacancies exist on CAP of Solano - JPA for board members representing Solano County, Dixon and Rio Vista. Alternates from Benicia, Dixon, Rio Vista and Vacaville are not named or have not been appointed as of this writing.

Near the end of FY 2011-2012, the ACO informed H&SS that CAP of Solano-JPA's operating Fund 173 (see Figure 1 below) was in a cash deficit situation which had accumulated over ten (10) years. A portion of the deficit was related to the County's HUD grants and accounts. H&SS staff initiated an intensive review of all the grants and accounts receivable in the JPA fund. H&SS staff worked with HUD to follow up on prior year claims and recover funds from all outstanding claims against available HUD funds. The H&SS staff reviewed the entire Fund 173 to determine an accurate cash deficit balance relating to HUD and CSBG funding.

The shortfall on June 30, 2009 stood at \$208,275.84 post-audit. The data shows the deficit trend continued until October 3, 2012 when the taxpayer backed Fund 173 shortfall had grown to \$742,675.42 pre-audit.

The Solano County Auditor Controller is the treasurer for the CAP of Solano - JPA and has the fiduciary responsibility to ensure that grant funds are properly dispersed and accounted for. Near the end of FY 2011-2012 the deficits in Fund 173 had risen to \$742,675.42. See Figure 1 below.

Fund Deficits for FUND 173
Figure 1

Negative Cash 10/03/2012	(\$601,430.13)
DTOA* - Revenues Received Pending HUD Audit	(\$27,106.60)
Accounts Payable Accruals 2011/2012	(\$114,138.69)
<u>PROJECTED CASH DEFICIT</u>	(\$742,675.42)

*Due To Other Agencies

The primary issues which created the deficit identified by the Health & Social Services audit are:

- Over billing for Supportive Services
- Over billing for Operating Costs
- Over billing for Administrative Costs
- Undocumented Matching Funds
- Overpayments
- Duplicate Payments
- Non-Qualified Expenses
- Lack of Documentation/Recordkeeping

Government Auditing Standards states Managers have fundamental responsibilities for carrying out government functions. Management of the audited entity is responsible for

- a. Using its financial, physical, and informational resources legally, effectively, efficiently, economically, ethically and equitably to achieve the purposes for which the resources were furnished or the program was established;
- b. Complying with applicable laws and regulations (including identifying the requirements with which the entity and the official are responsible for compliance);
- c. Implementing systems designed to achieve compliance with applicable laws and regulations;
- d. Establishing and maintaining effective internal control to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported;
- e. Providing appropriate reports to those who oversee their actions and to the public in order to demonstrate accountability for the resources and authority used to carry out government programs and the results of these programs;
- f. Addressing the findings and recommendations of auditors and for establishing and maintaining a process to track the status of such findings and recommendations.

Looking at Figures 1,2,3 and 4, it is apparent the Auditor/Controller, the Health and Social Services Department Head, the CAP of Solano - JPA Board, the Executive Director of the JPA, the CAP of Solano Inc. Board, and the Executive Director of CAP of Solano Inc. failed to meet the minimums required to carry out their management responsibilities.

As of March 6, 2014, audits of Fund 173 going back to 2003 by H&SS, working with HUD, allowed recovery of outstanding claims reducing the deficit to a current balance of \$322,767. Refer to Figure 2 and Figure 3 below.

FUND 173 BALANCES (AUDITED)

Figure 2

YEAR	CASH IN TREASURY	CHANGE YEAR TO YEAR	
6/30/2003	\$129,969.23		
6/30/2004	(\$21,025.76)	(\$150,994.99)	
6/30/2005	\$32,099.90	\$53,125.66	
6/30/2006	(\$244,633.90)	(\$276,733.80)	
6/30/2007	(\$191,462.48)	\$53,171.42	
6/30/2008	(\$226,250.45)	(\$34,787.97)	
6/30/2009	(\$208,275.84)	\$17,974.61	
6/30/2010	(\$474,843.94)	(\$266,568.10)	
6/30/2011	(\$549,932.04)	(\$75,088.10)	
6/30/2012	(\$566,799.58)	(\$16,867.54)	
6/30/2013	(\$283,826.13)	\$282,973.45	
2/28/2014	*(\$322,767.77)	(\$38,941.64)	*plus interest

FUND 173 AUDITED REVENUE AND
EXPENSES

Figure 3

YEAR	REVENUE	EXPENSES	DIFFERENCES
6/30/2003	\$379,197.47	\$289,984.02	\$89,213.45
6/30/2004	539,607.74	731,448.46	(191,840.72)
6/30/2005	1,005,735.41	897,029.34	108,706.07
6/30/2006	616,651.18	873,862.71	(257,211.53)
6/30/2007	1,171,292.28	942,369.77	228,922.51
6/30/2008	1,080,145.57	949,635.88	130,509.69
6/30/2009	837,810.23	1,075,034.84	(237,224.61)
6/30/2010	1,025,994.00	1,120,089.16	(94,095.16)
6/30/2011	721,556.55	796,183.31	(74,626.76)
6/30/2012	463,310.50	527,594.74	(64,284.24)
6/30/2013	0.00	4,063.17	(4,063.17)
2/28/2014	0.00	1,025.64	(1,025.64)
TOTALS	\$7,841,300.93	\$8,208,321.04	(\$367,020.11)*

*includes interest owed to Solano County as of 2/28/2014

CAP of Solano - JPA has accepted the responsibility to pay off the debt. JPA Board Resolution 2013-1 was submitted to the County on January 16, 2013. There is, however, a dispute between the JPA and County over the amount owed. As of the writing of this report there has not yet been an official response from the County.

Audited financial statements from CAP, Inc. for FY ending June 2012 show Support and Revenue from Grants and the County of \$428,559 and expenses of \$462,340. The expenses entitled Directed Services totaled \$64,920 or **only 14% of income going to services for the homeless population**. A review of the FY 2012 Community Services Block Grant Information System Survey (CSBGIS/S) shows a discrepancy regarding income figures.

See Figure 4:

Audited Statement of Activities for FY 2012

Figure 4

CATEGORY	CAP SOLANO INC.INCOME	CSBGIS/S INCOME
Government Grants	\$ 323,611	\$ 323,611
Non CSBG Non ARRA*		
Federal Sources		43,781
Total State Sources		891
County Funding	76,975	86,975
Value of Contract Services Solano County		16,500
Value of In-Kind Services Solano County		35,750
Donated Funds		4,500
Value of In-Kind Services		
Payment by Clients		2,500
Program Fees	890	
Other Income	27,083	
Total Support And Revenue	\$ 428,559	\$ 514,508
Excess Income Not Reflected By CSBGIS/S	\$ (85,949)	

*American Recovery & Reinvestment Act of 2009

Audited financial statements from CAP of Solano, Inc. for FY ending June 2013 the figures indicated income of \$553,762 and expenses of \$498,241. The expenses entitled Directed Services totaled \$98,992 or **only 17.87 % going to serve the homeless population.**

The FY 2013 Community Services Block Grant Information System Survey is not available at this time.

Government Auditing Standards use the following definition to guide auditors to determine accuracy of audited statements and reports:

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance."

Health & Social Services contracted with HomeBase to conduct an evaluation of the Continuum of Care, CAP of Solano - JPA, CAP of Solano, Inc. and the stakeholders. Financial aspects were not investigated. The 71-page HomeBase report, along with Executive Summary, was issued in July 2013 which identified a myriad of issues which were also previously brought to light by the 2008 HUD Programmatic Monitoring Report and the 2009 CSBG Monitoring Report C08-059.

To date, the progress on the recommendations made by HomeBase is unknown. Due to the comprehensive nature of the HomeBase report, the 2013-2014 Solano County Grand Jury recommends interested parties review the HomeBase report. Access to the report can be made through the Solano County Health & Social Services Department.

IV. SUMMARY (TIMELINE)

In 1999, the Solano County Board of Supervisors created the Vallejo/Solano County Community Action Partnership. The original name was “Solano Safety Net Consortium”. Nationwide, these organizations are referred to as a Continuum of Care (C of C). A network of approximately 100 partners/stakeholders, that includes nonprofits, faith based organizations, public and private businesses, school districts, police and city governmental agencies cooperate to render comprehensive service to individuals, families in need and the formerly incarcerated.

2000 - PJ Davis Associates was hired as Executive Director of Solano Safety Net Consortium.

2001 - Fund 173 was established to help cash flow delays inherent with the grant disbursement process.

2006 - The Solano Safety Net Consortium was officially renamed CAP of Solano – JPA.

2008 - U.S. Department of Housing & Urban Development issued a Report on Programmatic Monitoring dated July 14, 2008 covering 11 specific Grants in the Supportive Housing Program.

2009 - CSBG Monitoring Report C08-059 CAP of Solano - JPA March 4, 2009 outlines a significant finding, several concerns, and corrective actions required.

2009 - CAP of Solano, Inc. established and acts as facilitator in charge of overseeing grant applications, eventually becoming the sole recipient of CSBG funds.

2009 - MOU was negotiated between Solano County and JPA without reference made regarding the deficit trend.

2011 - ACO informed H&SS of discrepancies in reimbursement.

2011 - ACO notified CAP of Solano - JPA of about a \$700,000 deficit cash balance.

2011 - H&SS staff initiated an intensive review of all CAP of Solano JPA grants and accounts. H&SS staff worked with HUD to follow up on claims accumulated over ten (10) years and attempted to recover funds from all outstanding claims.

2012 - Taxpayer backed Fund 173 had grown to a deficit of \$742,675.

2013 - CAP of Solano-JPA Resolution 2013-1 is presented to the County to resolve the deficit.

2013 - HomeBase Continuum of Care Evaluation: Recommendations for Strengthening Solano County's Response to Homelessness, issued July 2013.

2014 - H&SS worked with HUD and reduced the deficit to \$322,767.

2014 - As of May 12th no resolution has resulted from negotiations between Solano County and CAP of Solano-JPA to collect the deficit \$322,767.

The Auditor/Controller Office has failed in its fiduciary responsibilities to provide yearly audited accounts of Fund 173 to the H&SS and JPA as required by the Joint Exercise of Powers Agreement, Solano Safety Net Consortium. These annual audits have not taken place from 2003 to present.

CAP of Solano, Inc. was established in 2009 and designated themselves as the Community Action Agency for Solano County instead of the State approved designated Community Action Agency Solano County.

The Board of Directors of CAP of Solano - JPA and CAP of Solano, Inc. share several of the same Board Members as of FY 2012-2013. One hundred percent (100%) of the JPA Board serves on the Inc. Board. **This current configuration of Board Members creates an apparent conflict of interest on many levels.**

Vacancies exist on CAP of Solano - JPA for Board Members representing Solano County, Dixon and Rio Vista. Alternates from Benicia, Dixon, Rio Vista and Vacaville are not named or have not been appointed as of this writing.

The MOU established between CAP of Solano-JPA and CAP of Solano, Inc. appears to be self-serving in that it creates dual relationships for all the signing parties.

The audit findings received from CAP of Solano, Inc. show a significant under-reporting of income in the amount of \$85,497.70 in 2012. This calls into question the accuracy and validity of the filed statements with governmental agencies.

A major concern is the low amount of grant money which has been directed toward the homeless population in Solano County by CAP of Solano, Inc. In FY2012, **only 14%** of received income went to "Directed Services" and in FY2013, **only 17.87%** went to serve the homeless population.

V. FINDINGS AND RECOMMENDATIONS

Finding 1

County representation on the Joint Powers Authority Board is lacking. The Solano County Board of Supervisors has the responsibility to ensure that County representation is maintained on the Joint Powers Authority Board.

Recommendation 1a

Solano County Board of Supervisors appoint a representative and alternate to the Joint Powers Authority Board and take steps to ensure no permanent vacancies exist in the future.

Recommendation 1b

Solano County Board of Supervisors work with the member cities to ensure they are fully represented on the Joint Powers Authority Board with alternates in place and actively participating.

Recommendation 1c

The Solano County Board of Supervisors ensure compliance with the terms of the Joint Powers Agreement by all parties.

Recommendation 1d

Solano County Board of Supervisors, or their designee, ensure the Joint Powers Authority is a viable, accountable and functioning entity with dynamic leadership to serve the homeless population.

Finding 2

Community Action Partnership of Solano, Inc. designated themselves as the Community Action Agency for Solano County in place of the State approved designated Community Action Agency without consultation with the Solano County Board of Supervisors.

Recommendation 2

Solano County Board of Supervisors confirm the Joint Powers Authority (formerly the Solano Safety Net Consortium) as the Community Action Agency for Solano County.

Finding 3

The Auditor/Controller Office has not been conducting annual audits of Fund 173 in accordance with fiduciary responsibilities outlined in the Joint Powers Agreement, not limited to timely reports of certified audits and communication of such findings to all responsible parties.

Recommendation 3a

The Auditor/Controller Office hire/appoint an external auditor to conduct a thorough review of Fund 173 for each year in which an audit has not been performed.

Recommendation 3b

The Auditor/Controller Office examine “funds” similar to Fund 173 and ensure they are in compliance with the rules and regulations for audits. Ensure any monitoring reports are addressed and complied with in a timely manner.

Recommendation 3c

The Auditor/Controller Office comply with the Government Auditing Standards.

Finding 4

Health & Social Services has been lacking in accountability for the Housing & Urban Development and Community Service Block Grant vendor claims by not ensuring that the claims submitted were valid, viable and authorized under the terms of the Grants.

Recommendation 4a

Health & Social Services comply with accounting and report requirements mandated by State and Federal entities. A compliance officer(s) should be appointed to oversee all Grant matters.

Recommendation 4b

Health & Social Services should actively involve itself with the Solano County Community Action Partnership Joint Powers Authority Board as outlined in the Memorandum of Understanding.

Recommendation 4c

Health & Social Services Department Head, or their designee, work with Community Action Partnership of Solano – JPA to implement the recommendations to strengthen the Continuum of Care as outlined by the HomeBase Report.

Finding 5

Memorandum of Understanding between Health & Social Services and Solano County Community Action Partner Joint Powers Authority which was for a five year period has an expiration date of June 13, 2014.

Recommendation 5a

Health & Social Services not enter into a new Memorandum of Understanding with Solano County Community Action Partnership of Solano - Joint Powers Authority until all issues regarding deficit repayment are resolved.

Recommendation 5b

Any new Memoranda of Understanding address deficits, deficiencies, responsible parties and corrective actions which are needed to be in compliance with the Memorandum of Understanding.

Recommendation 5c

Any new Memorandum of Understanding entered into be limited to a two-year period.

Finding 6

A conflict of interest exists in that Board Members of the Joint Powers Authority also serve as Board of Directors for Community Action Partnership of Solano, Inc.

Recommendation 6

The Solano County Board of Supervisors immediately terminate the Memorandum of Understanding between Community Action Partnership of Solano - Joint Powers Authority and Community Action Partnership of Solano, Inc.

Finding 7

A dual relationship exists amongst the Board Members of the Joint Powers Authority Community Action Partnership of Solano and Community Action Partnership of Solano, Inc.

Recommendation 7

No one serve on the Joint Powers Authority Board who is concurrently serving on the Community Action Partnership of Solano, Inc. Board of Directors nor serve on any successor agency involved with Community Action Partnership of Solano-Joint Powers Authority.

Finding 8

A significant under-reporting of income (\$85,949) for FY 2012 by Community Action Partnership of Solano, Inc. exists according to their own audit.

Recommendation 8

Auditor/Controller Office conduct an independent review of this matter and take appropriate steps to rectify the under-reporting of income.

Finding 9

The deficit existing in Fund 173 of \$322,767.77, plus interest, is owed and acknowledged by Community Action Partnership of Solano-Joint Powers Authority. This amount remains outstanding and unpaid.

Recommendation 9

The Solano County Board of Supervisors (or its designee) aggressively pursue collection of these taxpayer funds with public notification following collection and/or resolution of this matter.

Finding 10

The shortfall on June 30, 2009 totaled \$208,275.84 (post-audit). The data shows the deficit trend continued until October 3, 2012 when the taxpayer backed Fund 173 shortfall had grown to \$742,675.42 (pre-audit).

Recommendation 10

Solano County hire compliance officers and audit staff to ensure this type of extended deficit situation does not recur in the future in this or in any similar funds.

Finding 11

Recordkeeping by Contractors and Subcontractors receiving Grant Funds is an ongoing issue. Lack of appropriate records contributed to the outstanding deficit and its resolution.

Recommendation 11

All Solano County departments receiving grant funds modify contracts with Contractors and Subcontractors to include language that all required documentation be available both on paper and digitally for a period of no less than three years after notification that the Grant Funding has received its final audit.

Finding 12

The Community Action Partnership of Solano - Joint Powers Authority only meets four times a year and does not maintain a web site. Agendas and Minutes of the meetings are not posted for the public to review in accordance with The Brown Act.

Recommendation 12a

Community Action Partnership of Solano-Joint Powers Authority Board of Directors meet at least once a month and be provided an agenda in enough time to become aware of the issues they will be deciding on, prior to the Board Meeting.

Recommendation 12b

Community Action Partnership of Solano Board of Directors work with Department of Information Technology to create a website to effectively communicate with the public and the stakeholders.

Recommendation 12c

Community Action Partnership of Solano-Joint Powers Authority Board of Directors fully comply with The Brown Act.

COMMENTS

Multiple issues have surfaced while investigating Fund 173. Not the least of which are conflicts of interest and no clear structure or guidelines to resolve the deficit issues.

It appears neither ACO, H&SS, JPA, nor the JPA's Executive Director, undertook compliance measures to ensure that invoiced expenses included in the grant applications qualified for reimbursement. Taxpayer Fund 173 monies were paid to the JPA on faith alone.

Resources to better serve the economically disadvantaged population are limited and have become more so because of the unconscionable situations described above. Solano County has the ability to create a dynamic and effective organization to serve the economically disadvantaged population. Solano County has a moral, ethical, legal and fiduciary responsibility to fulfill these obligations to its citizens.

REQUIRED RESPONSES

Solano County Board of Supervisors (Findings 1, 2, 6, 9, 11)
Auditor/Controller, Solano County (Findings 3, 8, 11)
Director, Solano County Health & Social Services (Findings 4, 5, 7, 9 10)
Board President, CAP of Solano - JPA (Finding 12)

COURTESY COPIES

Clerk, Solano County Board of Supervisors

City Manager, City of Benicia

City Manager, City of Dixon

City Manager, City of Fairfield

City Manager, City of Rio Vista

City Manager, City of Suisun City

City Manager, City of Vacaville

City Manager, City of Vallejo