COUNCIL AGENDA: 04-25-06
ITEM: 5.3

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL

FROM: Albert Balagso

SUBJECT: SEE BELOW

DATE: 04-05-06

Approved

Date 4/10/06

COUNCIL DISTRICT: City-Wide
SNI AREA:

SUBJECT: ADMINISTRATION'S RESPONSE TO THE CIVIL GRAND JURY REPORT REGARDING THE CITY OF SAN JOSÉ COMMUNITY ACTION AND PRIDE (CAP) GRANTS

RECOMMENDATION

Acceptance of staff's response to the Santa Clara County Civil Grand Jury Report entitled, "City of San José Community Action and Pride Grants – Even a Good Program Can be Improved."

OUTCOME

City staff reviewed the Grand Jury's final report and agrees with the findings and concurs with the recommendations made by the Grand Jury. These recommendations have been incorporated into the current Community Action and Pride (CAP) grant cycle.

BACKGROUND

In fall 2005, the Santa Clara County Civil Grand Jury reviewed the policies, practices and procedures associated with the City of San José Community Action and Pride (CAP) grant program. The Grand Jury's inquiry included two meetings with City staff at San José City Hall on September 12, 2005 and October 26, 2005. A final report was released on January 31, 2006.

ANALYSIS

Overall, the Grand Jury found the general process for reviewing and approving requests for CAP grants was well-defined and documented. There was adequate support for neighborhood organizations lacking financial background or needing assistance in completing CAP grant applications. CAP grant policies and processes impose requirements for financial responsibility. They identified deficiencies in the back-end monitoring, tracking, and accountability processes. The Parks, Recreation and Neighborhood Services (PRNS) Department has reviewed the report and agreed with all the findings and recommendations identified. Specific responses to the recommendations are listed below:

Recommendation 1: The Grand Jury report did not identify any recommendations related to the front-end process for the review and approval of CAP Grant applications.

Recommendation 2: *A clarification or revision of existing policies and procedures should be established immediately to document specific actions enforcing submission of delinquent Grant final reports and financial information. Procedures should include documented telephone and written contact with the responsible Neighborhood or Community Associations (NCAs). Sanctions for non-compliance should be defined. These could include returning awarded Grant funds or forfeiting eligibility for subsequent Grants.*

PRNS has developed the following procedures:

- Procedures have been put in place to document all telephone and written contacts with grantees. These notations are incorporated into the program files.
- Grantees from previous cycles that have open grants (have not completed one or more activities funded by the grant, or are missing final close-out documentation such as receipts and final grant reports) are ineligible for future funding until the grants are closed and final documentation is on file.
- Final Grant reports include submission of a project narrative and a final expense report that includes copies of all receipts of allowable expenses. Non-receipted expenses will not be allowed. Any unspent or "unallowable" expenses must be returned to the City before a grant can be considered closed.

Grantees with open cycles prior to the current cycle have begun submitting receipts and or returning unspent funds.

Recommendation 3a: *PRNS should develop a policy and procedure that allows a Neighborhood or Community Association (NCA) to receive awards in successive cycles while adhering to the reporting policies. Such a policy could require the NCA to submit an interim report prior to the award of a subsequent Grant. A new Grant could then be approved according to policy without funding gaps. A final report would still be required.*

PRNS has developed the following policies and procedures:

- Funding cycles will no longer overlap, eliminating the situation of a new funding cycle award being disbursed prior to the completion of a previous cycle.
- A Mid-Year reporting requirement has been established and is required by all grantees. This ensures notification of any project delays and allows staff to address any issues that may prevent or hinder project completion.
- Applicants with outstanding or incomplete CAP grants from previous cycles are not eligible to apply for CAP funding until the previous CAP cycle's projects are closed. This does not include grantees funded under the last cycle that have closed all grants from previous cycles. As an example, CAP Grantees for current cycle 19 (grant period ends on April 30, 2006) are eligible to apply for Cycle 20 (grant period begins on May 1, 2006) provided they have no open grants from cycles prior to Cycle 19.

Recommendation 3b: *PRNS should not approve a recipient's request for a new CAP Grant until all prior grant requirements, including reports, are completed. Any exception should require review and approval by the Superintendent of PRNS. Any extenuating circumstances that result in reporting information being late for a given grant cycle should be documented. Any review leading to approval of an extension should be recorded in the grant files. Any exception to approve a subsequent award prior to finalization of reporting for a previous grant should require documented management review and approval.*

PRNS has developed the following policies and procedures:

- Grantees funded under the last cycle may apply and be funded for an upcoming grant cycle; however, disbursement of new funding will be contingent upon acceptance of the final grant report from the previous cycle. Any exceptions must be approved by the PRNS Director or Director's designee.
- Upon notification by the City of an executed Memorandum of Understanding with the grantee, the fiscal agent will release a check for the amount granted. Two representatives of the organization must sign for the receipt of check from the fiscal agent. Grant award checks will be valid for 90 days and must be cashed within this time period. If the check is not cashed before the expiry date, the grant award will be considered forfeited.
- Change requests may be submitted at any time during the contract service timeline. Changes to the original scope must be completed by the end of the grant period unless an approved extension request is on file.
- Procedures have been put in place that ensure all required recipient reports, oral and written communication, and administrative direction or decisions are recorded and placed into the Grant files.

PUBLIC OUTREACH

The Grand Jury's final report with recommendations was discussed with the CAP Grant Committee (made up of members of the general public for a 3-year term) on February 2, 2006. Staff recommended the changes described in the sections above which were approved by the Committee.

COORDINATION

This memo has been coordinated with the City Attorney's Office and City Manager's Office.

COST IMPLICATIONS

Not Applicable.

CEQA

Not a project.

ALBERT BALAGSO
Acting Director, Parks, Recreation
and Neighborhood Services
Business Phone Number: (408) 793-5553

GRAND JURY

January 24, 2006

Joseph S. Cardinalli
Deputy Director
Parks, Recreation and Neighborhood Services
City of San Jose
200 East Santa Clara Street
San Jose, CA 95113

Dear Mr. Cardinalli:

Pursuant to Penal Code § 933.05(f), the 2005-2006 Santa Clara County Civil Grand Jury is transmitting to you its Final Report, **City of San Jose Community Action and Pride Grants – Even a Good Program Can Be Improved**.

Penal Code § 933.05(f)
A grand jury shall provide to the affected agency a copy of the portion of the grand jury report relating to that person or entity **two working days** prior to its public release and after the approval of the presiding judge. No officer, agency, department or governing body of a public agency shall disclose any contents of the report prior to the public release of the final report. **Leg. H.** 1996 ch. 1170, 1997 ch. 443.

This report will be made public and released to the media on **Tuesday, January 31, 2006,** in the **P.M.** If you have any questions please contact Gloria Alicia Chacón, Executive Assistant, at 408-882-2721.

Sincerely,

Thomas C. Rindfleisch

THOMAS C. RINDFLEISCH
Foreperson
2005-2006 Civil Grand Jury

TCR:dsa
Enclosure

See Attached Recipient List.

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RECIPIENT LIST – January 24, 2006

1. Mayor Ron Gonzales and Members of the City Council, City of San Jose
2. Mr. Del Borgsdorf, City Manager, City of San Jose
3. Ms. Sara L. Hensley, Director, Parks, Recreation and Neighborhood Services, City of San Jose
4. Mr. Joseph S. Cardinalli, Deputy Director, Parks, Recreation and Neighborhood Services, City of San Jose
5. Mr. Arturo Catbagan, Acting Superintendent, Parks, Recreation and Neighborhood Services, City of San Jose
6. Mr. Gerald A. Silva, City Auditor, City of San Jose

CITY OF SAN JOSE COMMUNITY ACTION AND PRIDE GRANTS – EVEN A GOOD PROGRAM CAN BE IMPROVED

Summary

The 2005-2006 Santa Clara County Civil Grand Jury (Grand Jury) reviewed the policies, practices and procedures associated with the City of San Jose Community Action and Pride Grant Program (CAP Grant). The Grand Jury met with City officials responsible for the CAP Grant Program and studied nine Grant files. This review focused on whether there are adequate controls in the review and approval of CAP Grant applications. The Grand Jury also assessed whether there are ongoing monitoring and tracking mechanisms in place to ensure that funds are properly used by the Grant recipient, based on agency guidelines and the Notice of Understanding (NOU) provided to the Neighborhood or Community Associations (NCAs).

The Grand Jury inquiry resulted in four findings and recommendations, summarized as follows:

1. The Department of Parks, Recreation and Neighborhood Services (PRNS) of the City of San Jose has a well-defined front-end process for the review and approval of CAP Grant applications.

2. A clarification or revision of existing policies and procedures should document specific actions which will be taken to pursue delinquent Grant reports and financial information. Currently, the actions to be taken are not defined.

3. The Grand Jury has two concerns about grant administration policies:

   a. Existing CAP Grant schedules overlap the end of one year's cycle with the start of the next year's cycle. A procedure should be developed to require the submission of reports in time to allow an NCA to receive Grants in successive cycles without violating policy. This could require the NCA to submit an interim report.

   b. PRNS should not approve a recipient's request for a new CAP Grant until all prior Grant requirements, including reports, are completed. Any exception should require management review and approval.

Background

The CAP Grant Program falls under the overall responsibility of PRNS. CAP Grants are intended for "individual neighborhood groups (both established and emerging) proposing projects, services and activities that foster or enhance safety, reduce blight and crime, and improve the quality of life in a neighborhood." All San Jose resident-based neighborhood groups are eligible for CAP Grants, excluding individuals, political campaigns, governmental entities, business associations, and activities with religious messages or themes. Individual CAP Grant agreements run for one year. Some typical activities funded by the CAP Program include:

- Support for neighborhood improvement projects
- Community newsletters
- Clean-ups or dumpster days
- Median or park strip beautification
- Public safety activities
- Community events and celebrations
- Youth sports leagues
- United Neighborhoods of Santa Clara County membership
- National Night Out

CAP Grant applications are reviewed by an independent review committee with volunteer representatives currently from:

- Community Foundation of Silicon Valley
- Volunteer Center of Silicon Valley
- City of San Jose Code Enforcement
- United Neighborhoods of Santa Clara County
- Neighborhood Development Center
- Our City Forest
- Senior Commission

The CAP Grant Program is currently in its 19th award cycle which runs from May 2005 through April 2006. The total budget for CAP Grants during Cycle 19 was $219,387 and of this amount, $216,943 was distributed in Grants.

Discussion

The Grand Jury's inquiry included two meetings at San Jose City Hall on September 12, 2005 and October 26, 2005.

MEETING ON SEPTEMBER 12, 2005

The first meeting was to conduct a review of the policies, practices and procedures associated with CAP Grants. Participants included the Acting Superintendent of PRNS and the Deputy Director, Administrative Services, who are directly responsible for all aspects of the CAP Grant Program. This meeting included a detailed review of documentation associated with the current CAP Grant Cycle 19, for which application requests were due on February 28, 2005. The application packet, dated January 31, 2005, which defined eligible applicants, eligible services, Grant requirements, and application instructions, forms and evaluation criteria, was reviewed at that time.

CONCLUSIONS FROM THE MEETING ON SEPTEMBER 12, 2005

A thorough and clearly defined process exists for application completion. This includes a support structure to assist an NCA in completing all forms and helps ensure compliance with all prerequisites for review of a CAP Grant application.

All application requests are reviewed by an impartial review committee comprised of volunteer representatives from agencies who are not employees of PRNS (see Background). The CAP Grant review committee has expertise on activities associated with typical Grants. They provide advice and counsel regarding adjustments to CAP Grant dollar amounts as well as activities that are Grant-eligible. The committee also makes recommendations to neighborhood organizations regarding the most cost effective use of available funds.

A well-documented process exists for review and approval of CAP Grants, which includes a review of applications by the professional staff of the Acting Superintendent as well as an independent review by the aforementioned committee. Prior to issuing an award check, the Notice of Understanding defines the specific scope of the Grant. When an application is approved, an NOU is signed by the designated representative from the NCA. The NOU includes all requirements associated with the Grant award, including the reporting requirements at the conclusion of the one-year cycle.

MEETING ON OCTOBER 26, 2005

The second meeting, held on October 26, 2005 with the Acting Superintendent, included a thorough review of nine randomly selected CAP Grant files from Grant

Cycles 14 and 18. The purpose of this review was to allow members of the Grand Jury to determine if all oversight responsibilities associated with the selected CAP Grants were carried out according to the published policies, practices and procedures of PRNS. Cycle 18 is the most recently completed cycle in which checks were issued on July 30, 2004 and whose final reports, including receipts documenting all expenditures, were due by August 31, 2005. The only exception to the due date for final reports would be if an extension were requested by the NCA and approved by the Acting Superintendent's staff. The Grand Jury's request to inspect the nine CAP Grant files was delivered to the Acting Superintendent on October 12, 2005, two weeks prior to the Grand Jury's review of the files on October 26. The nine CAP Grants reviewed included two from Cycle 14 (awards ranging from about $13,000 to $18,000) and seven from Cycle 18 (awards ranging from about $7,000 to $43,000).

CONCLUSIONS FROM THE MEETING ON OCTOBER 26, 2005

The Grand Jury noted that the method of organizing the completed Grant files changed between Cycle 14 and Cycle 18. The organization of the files in Cycle 18 makes it easier to navigate and track required submissions by the grantee. These improvements over the earlier file organization were implemented by the current Acting Superintendent since his appointment in July 2005. The Grand Jury also noted that a Grant limit of $25,000 was imposed starting in Cycle 19.

The final reports for four of the Grant files reviewed were overdue. The recipient of a CAP Grant is required to submit a final report which includes complete information about Grant activities for the cycle just ending. The report must include copies of all receipts documenting expenditures associated with the Grant, a list of all people working on the Grant, and the amount of time they spent working on Grant activities. The report must also include a list of all monetary and non-monetary donations that were used for Grant activities. At the time of the review, four files from Cycle 18 were still incomplete and past their August 31, 2005 due date. No extension requests had been documented for these files. In all cases, a follow-up had occurred to pursue the delinquent reports as tracked in telephone logs, which identified calls made from October 12 to October 25.

The policies in place for administering CAP Grants make it clear that all activities must be completed, including the final report, prior to the award of any new Grant. The Grand Jury's review of the requested files indicated that two new Grants were awarded in Cycle 19 before the final reports for Cycle 18 had been submitted. One of these grantees requested and received a report filing extension with a new due date of November 30, 2005. In addition, one grantee received an award issued in Cycle 18 but still has not completed the final report for a Grant issued during Cycle 15.

The policy requiring a CAP Grant to be completed before awarding a Grant in the following cycle has an inherent problem. This is due to the overlap between two successive years' schedules as illustrated in Figure 1.

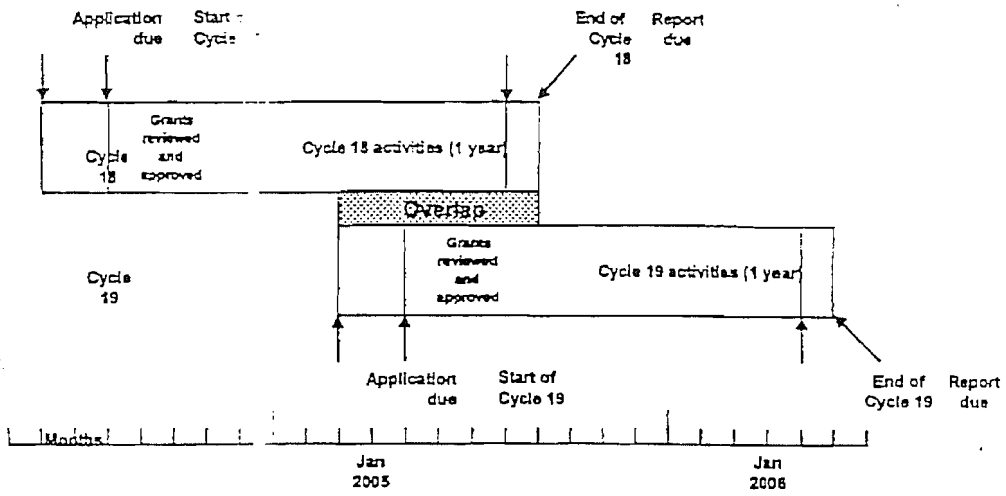

Figure Example of overlap between Grant Cycles 18 and 19

The preceding diagram illustrates that the Grant process for one year (Cycle 19) starts during the latter part of the previous year (Cycle 18), and that the final report for the first Grant is not due until after the second Grant has started. The Grand Jury believes the policy of requiring a Grant to be completed prior to awarding a succeeding Grant is appropriate. The Grand Jury also believes that a procedure should be developed to allow Grants to be awarded in successive years, while adhering to a policy that only one Grant is outstanding at a time. Such a procedure might require submission of an interim report of accomplishments and finances in time for the review of a new application.

Conclusions

In general the process for reviewing and approving requests for CAP Grants is well-defined and documented. There is adequate support for neighborhood organizations lacking financial background or needing assistance in completing CAP Grant applications. The CAP Grant policies and processes impose requirements for financial responsibility. They also require access to classes for groups lacking necessary Grant application experience and administrative expertise. Additionally, there is a voluntary and experienced CAP Grant Review Committee which provides advice and counsel, as well as assistance in the review and final approval of recommended CAP Grant dollar amounts. Deficiencies exist in the award process and in back-end monitoring, tracking and accountability processes, which are intended to ensure that all required documentation is submitted.

Finding 1

The San Jose Department of Parks, Recreation and Neighborhood Services has a well-defined front-end process for the review and approval of CAP Grant applications. It appears that the Acting Superintendent, who was recently assigned to this position, is working to improve the efficiency and effectiveness of the Grant award and administration process.

Recommendation 1

None

Finding 2

Reports from four of nine files from Cycle 18 examined by the Grand Jury in late October were past their August 31, 2005 due date. No documented extensions had been requested or approved for these late reports. Evidence exists that an effort was made by PRNS staff to follow up on these delinquencies by the time the Grant files were examined by the Grand Jury during the meeting on October 26.

Recommendation 2

A clarification or revision of existing policies and procedures should be established immediately to document specific actions enforcing submission of delinquent Grant final reports and financial information. Procedures should include documented telephone and written contacts with the responsible NCAs. Sanctions for non-compliance should be defined. These could include returning awarded Grant funds or forfeiting eligibility for subsequent Grants.

Finding 3a

Existing Grant schedules overlap the end of one year's cycle with the start of the next year's cycle. During this overlap a new Grant may be awarded while a previous Grant is being completed. This overlap does not allow an NCA to receive Grants in successive years without violating the policy requiring submission of all reporting information prior to approving a new CAP Grant (see Figure 1).

Recommendation 3a

The PRNS should develop a policy and procedure that allows an NCA to receive awards in successive cycles while adhering to the reporting policies. Such a policy could require the NCA to submit an interim report prior to the award of a subsequent Grant. A new Grant could then be approved according to policy without funding gaps. A final report would still be required.

Finding 3b

While examining the seven Cycle 18 files, the Grand Jury found that two awards were issued for Cycle 19, even though required Cycle 18 reporting information was incomplete. In addition, one Grant was issued in Cycle 18, even though required reporting information from Cycle 15 was still missing. Established PRNS policies and procedures for CAP Grants make it clear that all required documentation for a given award must be submitted prior to the issuance of a new award in any subsequent CAP Grant cycle.

Recommendation 3b

PRNS should not approve a recipient's request for a new CAP Grant until all prior Grant requirements, including reports, are completed. Any exception should require review and approval by the Superintendent of PRNS. Any extenuating circumstances that result in reporting information being late for a given Grant cycle should be documented. Any review leading to approval of an extension should be recorded in the Grant file. Any exception to approve a subsequent award prior to finalization of reporting for a previous Grant should require documented management review and approval.

PASSED and ADOPTED by the Santa Clara County Civil Grand Jury on this 5th day of January 2006.

_____

Thomas C. Rindfleisch
Foreperson

References

Documents

1. Community Action and Pride Grant Application – Cycle 19, provided by PRNS. The application for Cycle 20 will be available on the PRNS web site prior to the start of the application period for this cycle.

2. Community Action and Pride Grant Notice of Understanding (NOU) example. The NOU is provided by PRNS and is specific to each Grant.

3. CAP Grant Cycle 19 Frequently Asked Questions from CAP Grant Website: http://www.sanjoseca.gov/prns/nsinfo.htm#cap

Interviews

1. September 12, 2005. The Acting Superintendent and the Deputy Director of Parks, Recreation and Neighborhood Services, City of San Jose, were interviewed. During this meeting, the policies, practices and procedures associated with CAP Grants were reviewed.

2. October 26, 2005. During this meeting, nine selected Grants from two different Grant cycles were reviewed. This meeting was attended by the Acting Superintendent of Parks, Recreation and Neighborhood Services.