



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Vilcia Rodriguez

SUBJECT: SEE BELOW

DATE: 11-25-08

Approved

Date

11/25/08

**SUBJECT: Community-Based Organization Audit and Administration's Response
[Public Safety, Finance and Strategic Support Committee – November 20, 2008
– Item (d)]**

On November 20, 2008, staff presented the attached report on Community-Based Organization Audit and Administration's Response to the Public Safety, Finance and Strategic Support Committee.

At the Committee's direction, this item is being cross-referenced to the December 9, 2008 Council agenda for full Council consideration. The Committee's recommendation and minutes are available online on the City Clerk's Office's website.

VILCIA RODRIGUEZ
Senior Executive Analyst

Attachment



Office of the City Auditor

**Report to the City Council
City of San José**

**AUDIT OF THE CITY'S
OVERSIGHT OF FINANCIAL
ASSISTANCE TO COMMUNITY-
BASED ORGANIZATIONS**

**The City Does Not Have A Central
Mechanism To Track All Forms Of
Financial Assistance**

**The City Needs To Improve Its Monitoring
Of Community-Based Organizations That
Operate City Facilities**

**The City's Process For Leasing Property To
Community-Based Organizations Needs
Better Coordination And Oversight**

**Further Improvements Are Needed To
Ensure Appropriate Oversight Of Grants
And All Other Forms Of Financial
Assistance**

**Report 08-04
November 2008**



Office of the City Auditor
Sharon W. Erickson, City Auditor

November 12, 2008

Honorable Mayor and Members
of the City Council
200 East Santa Clara Street
San Jose, CA 95113

Transmitted herewith is the report *An Audit of the City's Oversight of Financial Assistance to Community-Based Organizations*. This report is in accordance with City Charter Section 805. An Executive Summary is presented on the blue pages in the front of this report. The City Administration's response is shown on the yellow pages before Appendix A.

This report will be presented at the November 20, 2008 meeting of the *Public Safety, Finance & Strategic Support Committee*. If you need any additional information, please let me know. The City Auditor's staff members who participated in the preparation of this report are Steven Hendrickson, Gitanjali Mandrekar, Carolyn Huynh, Lynda Brouchoud, and Jazmin LeBlanc.

Respectfully submitted,

Sharon W. Erickson
City Auditor

finaltr
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Office of the City Auditor

**Report to the City Council
City of San José**

**AUDIT OF THE CITY'S
OVERSIGHT OF FINANCIAL
ASSISTANCE TO COMMUNITY-
BASED ORGANIZATIONS**

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Executive Summary

In accordance with the City Auditor's 2008-09 Audit Workplan, we have completed an Audit of the City's Oversight of Financial Assistance to Community-Based Organizations (CBOs). We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions. We limited our review to the work specified in this report.

The Office of the City Auditor thanks staff from the City Manager's Office (CMO), Parks, Recreation and Neighborhood Services (PRNS), Office of Economic Development (OED), Department of Public Works (DPW), General Services Department (GSD), and Housing Department for their time, information and cooperation during the audit process.

Finding I The City Does Not Have A Central Mechanism To Track All Forms Of Financial Assistance

Various City departments partner with CBOs to provide a variety of services. The City provides financial assistance to these organizations in multiple ways including grants, below-market leases, and facility operating agreements. The City is drafting a grant oversight manual and implementing a grants database, as recommended in previous audits; however, the proposed manual and database are directed at grants and do not address all forms of financial assistance to CBOs. Furthermore, the Citywide grant list is still incomplete, and the City does not have a public grants reporting mechanism. Other jurisdictions have developed a CBO financial condition review mechanism. In our opinion, this type of review would provide the City with a centralized and consistent tracking mechanism on the current financial viability of its CBO partners to make informed decisions on whether or how to fund these organizations.

RECOMMENDATIONS

We recommend that the City Administration:

- Recommendation #1** **Complete and expand the grants manual and proposed grants database to cover other forms of financial assistance. (Priority 3)**

We recommend that the City Administration:

Recommendation #2. Assign responsibility for compiling and maintaining a complete and accurate list of grants prior to full implementation of the grants database. (Priority 3)

Recommendation #3 Develop an annual summary of funding by recipient (perhaps in the annual operating budget) that shows all forms of financial assistance. (Priority 3)

Recommendation #4 Establish criteria for when audited financial statements should be required and reviewed. (Priority 3)

We also recommend that the City Administration or the City Auditor:

Recommendation #5 Prepare an annual report to City Council based on a review of the financial audits of community-based organizations that meet the criteria established by Recommendation # 4 including:

- Financial ratios;
- Summary of external audit findings; and
- Percentage of agency revenue comprised of City funding. (Priority 3)

Finding II The City Needs To Improve Its Monitoring Of Community-Based Organizations That Operate City Facilities

According to the City Manager's Office, the City has invested about \$238 million in City-owned cultural facilities that are operated by community-based organizations. The financial viability of these CBO operators is important because the City depends on these organizations to operate these facilities and provide critical programming/services to the community. CBO operators are key partners in the delivery of cultural services, however responsibility and accountability for oversight of these CBO operators has been inconsistent due to City staffing changes and reorganizations. Several of these operators have had significant financial concerns, some of which were known to City staff, but were not shared with other staff. When CBOs fail, it presents significant administrative and financial cost to the City. We also found that responsibility for maintenance of the CBO-operated facilities varies according to each individual agreement and is difficult to track.

RECOMMENDATIONS

We recommend that the City Administration:

- Recommendation #6** Clearly identify the individual or office responsible for overseeing each of the CBO operators including gathering, documenting, and providing oversight of the organizations' financial health, governance, and performance. (Priority 3)
- Recommendation #7** Establish a monitoring program for CBO operators that gathers, documents, and consistently evaluates financial statements and other documents for indications of the organization's financial health, governance, and performance; and develop policies and procedures for resolving questions and for escalating response for non-compliance (e.g. written notification if an organization has not provided required documents), so that the City and CBO organizations know what to expect. (Priority 3)
- Recommendation #8** Track maintenance of all CBO-operated facilities to identify deferred maintenance and enforce operating and maintenance agreement provisions if the scheduled maintenance is not performed. (Priority 3)

Finding III The City's Process For Leasing Property To Community-Based Organizations Needs Better Coordination And Oversight

The City provides financial support to CBOs by offering below-market leases and other agreements for the long-term use of City-owned facilities. These include below-market leases administered through DPW, facility use agreements to use community centers administered through PRNS, and other types of leases and agreements administered through various departments. We found that although City Council Policy 7-1 covers some below-market leases of City-owned facilities, the application of the policy is unclear. Furthermore, there is no complete inventory of CBO leases and agreements for the long-term use of City-owned properties and little consistency in the use of agreement definitions. Responsibility for management of CBO leases is decentralized, and expired leases, limited oversight and inadequate insurance reviews continue to be a problem. In our opinion, the City should identify the rental subsidy to CBO agencies and establish an approval/renewal process for other CBO leases and other agreements for the long-term use of City owned properties as they come due.

RECOMMENDATIONS

We recommend that the City Administration:

- Recommendation #9** Clarify when the 7-1 policy should apply to leases with CBOs of City facilities. (Priority 3)
- Recommendation #10** Identify all the CBO leases and other agreements for long-term use of City-owned properties, and assign responsibility for monitoring each of them. (Priority 3)
- Recommendation #11**
- 1) Develop a centralized spreadsheet to track the status of CBO leases and other long-term use agreements for City-owned properties with CBOs including key terms and rental payments.
 - 2) Bring current all expired leases, rental payments, insurance certificates, and other required reporting documentation. (Priority 3)
- Recommendation #12** Establish policies and procedures regarding billing and collection for CBO leases and other agreements with CBOs for the long-term use for City-owned properties. (Priority 3)
- Recommendation #13** Establish a Citywide policy for enforcement of lease provisions and include provisions for non-compliance in future leases. (Priority 3)
- Recommendation #14** Centralize basic real estate functions or train City department staff on consistent implementation and monitoring of CBO leases and other agreements. (Priority 3)
- Recommendation #15** Develop a process to ensure that the City coordinates its oversight and monitoring of individual CBO leases and other long-term use agreements for City-owned properties with the oversight and monitoring of individual CBO grants or other forms of financial assistance. (Priority 3)

We recommend that the City Administration:

Recommendation #16 Identify all of the City's leases to CBO organizations, estimate the rental subsidy of these leases, and prepare an annual public report listing each CBO organization and the estimated amount of the subsidy. (Priority 3)

Recommendation #17 Establish an approval/renewal process for CBO leases and other agreements for long-term use for City-owned properties as they come due. (Priority 3)

Finding IV Further Improvements Are Needed To Ensure Appropriate Oversight Of Grants And All Other Forms Of Financial Assistance

Although the City departments that oversee grant programs agreed with the City Auditor's 2006 Citywide Grant Oversight audit recommendations and have spent significant time trying to implement them, the Citywide manual¹ and database are still not in place. Our audit fieldwork indicates the need for on-going training for grant monitoring staff, the need to develop a comprehensive fraud policy to provide guidance to staff on ways to identify potential fraud and abuse and what to do about it, and the need to review its use of fiscal agents in the grants process. In addition, we found that the City does not have a clear conflict of interest policy for staff that monitor and evaluate CBOs.

RECOMMENDATIONS

We recommend that the City Administration:

Recommendation #18 Include in the grant manual specific on-going training requirements for monitoring staff. (Priority 3)

Recommendation #19 Develop and implement a clear fraud policy which includes a referral policy, what City staff should do if they suspect fraud, and on-going training. (Priority 3)

¹ The City is in the process of finalizing a grants manual which is intended as a resource for creating, administering and monitoring quality grant agreements with grantees that provide services to the community.

We recommend that the City Administration:

- Recommendation #20** Consider other alternatives to fiscal agents and explore alternative methods to provide insurance coverage for smaller grant programs (Priority 3).
- Recommendation #21** Require staff involved in grant oversight to fill out conflict of interest forms and recuse themselves from certain decisions; and develop clear protocols for determining who should make final determination on whether potential conflicts exist. (Priority 3)

Introduction

In accordance with the City Auditor's 2008-09 Audit Workplan, we have completed an Audit of the City's Oversight of Financial Assistance to Community-Based Organizations (CBOs). We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions. We limited our review to the work specified in this report.

The Office of the City Auditor thanks staff from the City Manager's Office (CMO), Parks, Recreation and Neighborhood Services (PRNS), Office of Economic Development (OED), Department of Public Works (DPW), General Services Department (GSD), and Housing Department for their time, information and cooperation during the audit process.

Background

In the previous six years, the Office of the City Auditor has issued six audits and six memoranda dealing with CBO contract compliance, monitoring, and financial viability, including one broad-based audit of Citywide grant oversight. This report is a summary report of all those findings, outstanding recommendations and current issues faced by the various CBOs.

For purposes of our review, "financial assistance" means grants, loans, funding or in-kind donations of building space. The term does not include technical assistance which provides services instead of money.

At least eight City departments/offices award and administer grants within the City of San José. They include:

- Department of Transportation;
- Environmental Services Department;
- Housing Department;
- Department of Library Services;
- Department of Parks, Recreation and Neighborhood Services;
- Office of Economic Development (OED)/Office of Cultural Affairs (OCA); and
- City Clerk's Office.

According to the City Manager's Office these departments/offices administer various grant programs totaling about \$32 million annually. Departments disburse grants for various purposes including:

- Landscaping;
- Tree planting;
- Assistance to the homeless;
- Arts and cultural development activities;
- Homework centers;
- Gang prevention;
- Housing assistance;
- Social services;
- Tobacco prevention; and
- Façade improvements.

In 2007-08, PRNS was the biggest grant-making department in the City, giving a total of nearly \$14 million, according to information provided by the City Manager's Office. The OED¹ and the Housing Department administer a large amount of grant funds, giving approximately \$17 million according to the City Manager's Office information. More detailed information on this can be seen in Appendix C.

In addition, the City leases City-owned facilities to some CBOs at below-market rental rates. At least four different departments track these leases and operating agreements.

Sources Of Funds

Grants are disbursed from various sources. Sources include unrestricted City funds, such as the General Fund, as well as restricted City and Federal Funds. For example, the Healthy Neighborhoods Venture Fund (HNVF) is "restricted", or its use is limited by the City's Municipal Code. The Federal Government restricts other funding such as the Community Development Block Grant (administered by the Housing Department) and Work2Future (administered by the Office of Economic Development).²

¹ Includes OCA and the federally-funded Workforce Investment Act (WIA) grants and programs.

² Federal grant programs are subject to program compliance audits and are audited in accordance with the provisions of the Single Audit Act.

Grants Management

In general, the departments follow similar processes for disbursing grants. The City's draft grant manual defines a grant as "*an agreement between the City and an outside entity wherein the City provides funding in exchange for the outside entity's performance of a service (or services) or completion of a particular scope of work that will result in a substantial benefit to the community*". There is an initial period of advertisement. This is followed by an application process where various community groups are encouraged to apply. Some departments offer technical assistance with the application process. A selection committee recommends the grant awardees. Grants are then disbursed to the grantees. However, some grants are single-source grants, meaning that the City has decided to fund a specific program or activity and no known alternatives exist. Individual departments are responsible for monitoring grants after they have been awarded, and the quality of the monitoring can vary from department to department.

Previous Audit Work

Since 2002, the Office of the City Auditor has issued multiple audits and memoranda dealing with CBO contract compliance, monitoring, and financial viability including one broad-based audit of Citywide Grant Oversight. Some of the CBOs the Office of the City Auditor has reviewed are:

- The Boys And Girls Clubs of Silicon Valley;
- The Filipino American Senior Opportunities Development Council, Inc. (Fil-Am SODC);
- The San José Repertory Theatre;
- The American Musical Theatre; and
- The Mexican Heritage Corporation.

Including the Citywide Grant Oversight Audit, these audits and memoranda resulted in twenty-six recommendations of which three remain outstanding. One outstanding recommendation deals with developing procedures to ensure organizations do not occupy City facilities without the benefit and protection of an operating or facility-use agreement. Two other recommendations remain outstanding because the City has not fully developed or implemented a Citywide grant manual and grant database. Both those projects are currently underway.

Appendix B summarizes the issues and findings of the previous memoranda and audit reports.

Audit Scope And Methodology

In 2007, the City's Interim City Manager requested, and the City Auditor proposed, adding an audit of CBO financial accountability and monitoring to our workplan. This audit is a summary of previous City Auditor reports related to grant oversight. Specifically, our audit objectives were to review the CBO and grants-related audit reports/memoranda issued by the Auditor's Office to determine the current status of recommendations and lessons learned. We also reviewed all different forms of financial assistance the City provides to identify the operational challenges facing City departments that administer these various forms of financial assistance. We did not review CBOs providing services through purchasing agreements. Furthermore, we did not perform an in-depth review of individual CBO organizations or the City's selection process for facility operators. To achieve our objectives, we reviewed various grant agreements, CBO operator agreements, and the City's below-market lease agreements. We also interviewed staff from the City Manager's Office, PRNS, San José Police Department (SJPD), OED, OCA, City Clerk's Office, City Attorney's Office, General Services Department (GSD), Risk Management and Housing. Finally, we reviewed City departments' policies and procedures related to financial assistance activities. We relied on the City Administration to provide us with a summary of total grants given to various organizations. We did not review the Redevelopment Agency's (RDA) capital contributions or other forms of Redevelopment Agency financial assistance.

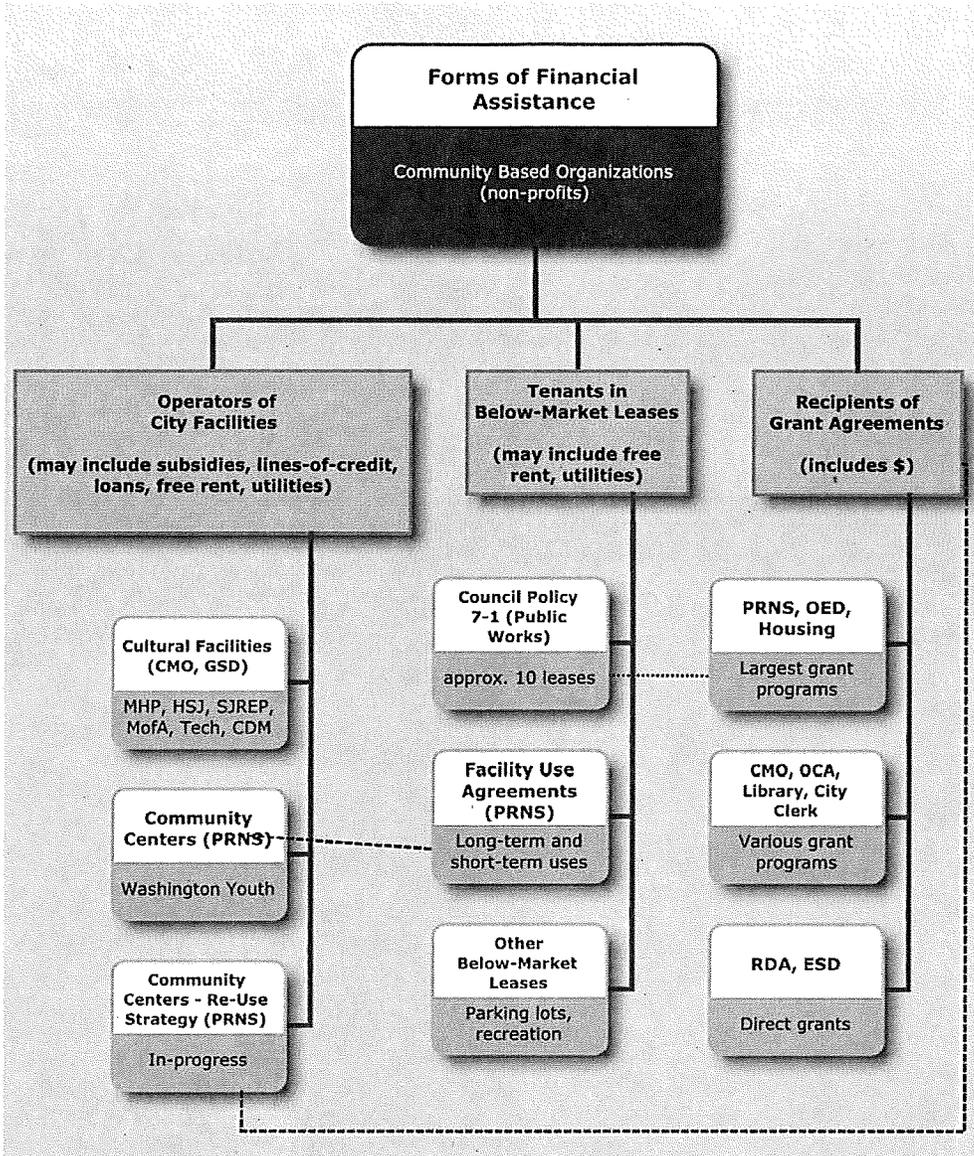
Finding I The City Does Not Have A Central Mechanism To Track All Forms Of Financial Assistance

Various City departments partner with CBOs to provide a variety of services. The City provides financial assistance to these organizations in multiple ways including grants, below-market leases, and facility operating agreements. The City is drafting a grant oversight manual and implementing a grants database, as recommended in previous audits; however, the proposed manual and database are directed at grants and do not address all forms of financial assistance to CBOs. Furthermore, the Citywide grant list is still incomplete, and the City does not have a public grants reporting mechanism. Other jurisdictions have developed a CBO financial condition review mechanism. In our opinion, this type of review would provide the City with a centralized and consistent tracking mechanism on the current financial viability of its CBO partners to make informed decisions on whether or how to fund these organizations.

The City Provides Financial Assistance To CBOs In Multiple Ways

The City contracts with a broad range of CBOs to increase community awareness and/or provide access to available core services. These institutions vary in terms of their (i) geographic coverage, ranging from local grass roots organizations to national CBOs; (ii) sectorial coverage (housing, arts and cultural, environmental, workforce); and (iii) clientele (universal access for all San José residents or for limited populations). The City provides these CBOs with assistance in different ways including: (a) The City may contract with a CBO agency to operate a City-owned facility; (b) the City may provide below-market leases in City-owned facilities; and (c) the City may provide grant funding for various services. Exhibit 1 below illustrates the different types of City assistance.

Exhibit 1: Forms Of City Financial Assistance To CBOs



Source: Auditor's Office.

The City's Draft Grant Oversight Manual And Proposed Database Do Not Address All Forms Of Financial Assistance To CBOs

In 2008, the City Manager appointed a Deputy Director from OED to oversee and coordinate the City's efforts to implement the grant oversight manual and database. The City is currently in the process of finalizing the grants manual which is intended as a resource for creating, administering, and monitoring agreements with grantees that provide services to the community. Further, in 2008, the City finalized and selected a vendor for a

Citywide grants database to track grants. However, we found that the draft grants manual and the database only address grants and currently do not apply to other forms of City financial assistance as described above.

A Grants Database Is Still Needed

The City Auditor's 2006 Audit of Citywide Grant Oversight included a recommendation to "*develop a Citywide grant database to provide comprehensive grant information, facilitate better grant awarding decisions and grantee monitoring, and help ensure grantee compliance with grant requirements.*" This recommendation is still pending. The City has identified a vendor for providing the Citywide grants database. Full implementation of the database is anticipated within one year.

In our opinion, timely implementation of the Citywide grants database would allow the Administration to identify total grants awarded, grant recipients with multiple grants, and coordinate grant oversight. Finally, the establishment and maintenance of a comprehensive centralized grants database would give the City additional information and facilitate better grant awarding decisions and grantee monitoring to help ensure compliance with grant requirements.

We recommend that the City Administration:

Recommendation #1

Complete and expand the grants manual and proposed grants database to cover other forms of financial assistance. (Priority 3)

The Citywide Grant List Is Still Incomplete

The City provides significant support to local community-based organizations, but is currently unable to state with any certainty how much. For example, during our audit, the City Manager's Office reported to the City Council that \$48.8 million is awarded on an annual basis. However, we found that this amount was overstated because it included CDBG funding for City capital projects. Specifically, the \$48.8 million total included about \$13.6 million of the entire CDBG Program of 70 grants when it should have only included 49 CDBG grants to CBOs amounting to about \$3.4 million in 2006-07.

In September 2008, the City Administration did another survey of various departments for confirmation of total grant amounts. This survey found that the total amount in grants was about \$32 million and not \$48.8 million as

previously reported. According to the Administration, the difference was due to the CDBG discrepancy and previously unreported grants. The updated list is in Appendix C of this report.

For a variety of reasons, the purchase and implementation of a grants database has been delayed. Nonetheless, strong internal controls over grants oversight can only work if we know where those grants are located. We strongly urge the Administration not to wait for implementation of the database, but to assign responsibility for developing a complete and accurate list of grants as soon as possible.

We recommend that the City Administration:

Recommendation #2

Assign responsibility for compiling and maintaining a complete and accurate list of grants prior to full implementation of the grants database. (Priority 3)

The City Does Not Have A Public Grants Reporting Mechanism

Grants and other forms of financial assistance to CBOs are difficult to track because while some grants are reported by line-item in the City's budget, others are not. Furthermore, the City's budget does not report on the total grants received by various CBOs. For example, we found that oftentimes the budget document lists the total grants awarded by grant and not by the organization receiving the grant. It is very difficult to track the total grants a CBO received in any given year through this document. Some CBOs receive multiple grants from various City departments. For example, one CBO received about \$138,000 in six grants from three City departments. Specifically, PRNS, Housing, and the City Clerk's Office gave the CBO these grants. Currently, there is no single public source to review the total grants the City gives in any given year. The City's proposed grants database will facilitate collection of the data, but is meant to be for internal purposes.

The City's Sunshine Reforms are designed to promote open, accessible and inclusive government. Reporting total grants the City gives by CBO would provide the public and the City Administration a better understanding of the City's granting mechanism. For example, Santa Clara County lists the total number of grants it provides by each CBO. Further, it also lists the grants for the previous year, the current year, and the proposed funding. In our opinion, this type of reporting would provide an easily accessible central repository for the City's total grants, including the multiple grants that a CBO may have received.

We recommend that the City Administration:

Recommendation #3

Develop an annual summary of funding by recipient (perhaps in the annual operating budget) that shows all forms of financial assistance. (Priority 3)

Other Jurisdictions Have Developed A CBO Financial Condition Review Mechanism

Our 2006 Citywide Grant Oversight Audit recommended that the City Administration “*establish criteria when audited financial statements are obtained and reviewed.*” In our opinion, the City’s draft grants manual should include those criteria. The Federal Government’s OMB A-133 states that, “*Non-federal entities that expend \$300,000 (\$500,000 for fiscal years ending after December 31, 2003) or more in a year in Federal awards shall have a single or program specific audit conducted*”. Kansas City has established that a CBO receiving \$100,000 or more should submit a financial audit to Kansas City.

Furthermore, the City does not have a central repository for CBOs’ audited financial statements. In our opinion, the City needs comprehensive fiscal surveillance of these organizations so that departments can be aware if CBOs are headed toward financial trouble.

For example, we found that the Kansas City Auditor’s Office does an annual “*Review of Audits of Outside Agencies*”. Specifically, Kansas City not only requires that all agencies receiving \$100,000 or more from the City in a year to engage a certified public accountant to conduct a financial audit but also engage a qualified professional to analyze the agency’s internal control structure. Kansas City’s Code of Ordinance further requires its City Auditor’s Office to annually report the results of the agencies’ external financial audits to the Mayor, City Council, and City Manager. The 2007-2008 annual audit:

- a) Identified outside agencies that received at least \$100,000 from the city in fiscal year 2007;
- b) Summarized the findings of the agencies’ commercial auditors;
- c) Identified agencies’ planned corrective actions and monitoring department oversight activities;
- d) Calculated selected financial ratios for those agencies receiving \$1 million or more from the city during fiscal year 2007; and

- e) Calculated the percentage of agency revenue comprised of city funding during the past three years.

In our opinion, this type of review would provide the City with a centralized and consistent tracking mechanism on the current financial viability of its CBO partners to make informed decisions on whether or how to fund these organizations.

We recommend that the City Administration:

Recommendation #4

Establish criteria for when audited financial statements should be required and reviewed. (Priority 3)

We also recommend that the City Administration or the City Auditor:

Recommendation #5

Prepare an annual report to City Council based on a review of the financial audits of community-based organizations that meet the criteria established by Recommendation # 4 including:

- **Financial ratios;**
- **Summary of external audit findings; and**
- **Percentage of agency revenue comprised of City funding. (Priority 3)**

Finding II The City Needs To Improve Its Monitoring Of Community-Based Organizations That Operate City Facilities

According to the City Manager's Office, the City has invested about \$238 million in City-owned cultural facilities that are operated by community-based organizations. The financial viability of these CBO operators is important because the City depends on these organizations to operate these facilities and provide critical programming/services to the community. CBO operators are key partners in the delivery of cultural services, however responsibility and accountability for oversight of these CBO operators has been inconsistent due to City staffing changes and reorganizations. Several of these operators have had significant financial concerns, some of which were known to City staff, but were not shared with other staff. When CBOs fail, it presents significant administrative and financial cost to the City. We also found that responsibility for maintenance of the CBO-operated facilities varies according to each individual agreement and is difficult to track.

CBO Operators Are Key Partners In The Delivery Of Cultural Services

CBOs that operate City-owned cultural facilities provide a valuable partnership with the City and provide a variety of programs and services to the San José community. These facilities and their CBO operators include:

- Children's Discovery Museum (CDM);
- San José Museum of Art (SJMA);
- Tech Museum of Innovation (Tech);
- San José Repertory Theater (SJ Rep); and
- History San José for History Park (in Kelley Park) and the Peralta Adobe and Fallon House Complex (HSJ).

Until recently, the Mexican Heritage Corporation for the Mexican Heritage Plaza (MHP)³ also fell into this category. In addition to the facilities themselves, the City also provides operating subsidies to each of the CBO

³ In March 2008, the City Council voted to approve a new business operation model for the MHP that is planned to be in place through June 2009. Until then, the City will operate the facility, and three organizations will coordinate programming.

City's Oversight Of Financial Assistance To CBOs

operators; the amount of these subsidies varies according to each agreement. Some of the CBO operators also apply for, and receive, additional financial support through the City's grant programs.

The following Exhibit summarizes the financial investments and key terms for each of the facilities.

Exhibit 2: Summary Of Subsidies, Agreement Terms, Grants And Lease Terms For CBO-Operated Facilities

Facility	Agreement Date	End Date ⁴	Est. Square Footage	Maintenance Responsibilities	Annual City Subsidy	Additional Grants/Leases ⁵
1. Children's Discovery Museum	June 1987	2045	52,000	CDM provides utilities, City provides all other	Yes	OCA grant
2. History Park with Peralta & Fallon Complex	April 1998	2018	131,000	City provides landscaping. HSJ provides all other	Yes	Grants for moving expenses and exhibits
3. Mexican Heritage Plaza	March 1996	2008 ⁶	47,800	City provides all services	Yes	OCA grant
4. San José Museum of Art	June 1988	2043	78,000	City provides all services	Yes	OCA grant
5. San José Repertory Theatre	December 1995	2010	52,000	City provides major equipment maintenance, SJ Rep provides all other	Yes	OCA grant
6. Tech Museum of Innovation	July 1994	2049	130,000	Tech provides all maintenance and repair	Yes	Parking lot lease

Source: City Manager's Office.

Responsibility And Accountability For Oversight Of These CBO Operators Has Been Inconsistent Due To Staffing Changes And Reorganizations

The City's oversight of these CBO operators has been inconsistent due to staffing changes and reorganizations. One main person has been involved, but her position has had varying reporting structures over the past 10 years (oversight staff has included the City Manager's Office deputies, Office of

⁴ End date may be extended through renewal terms according to each agreement.

⁵ Additional grants and leases identified through OED and Public Works. Due to the lack of centralized City grant and lease information, we could not verify the completeness of this information.

⁶ In March 2008, the City Council voted to approve a new business operation model for the MHP that is planned to be in place by June 2009. MHC is no longer operating the facility.

Economic Development and Office of Cultural Affairs). With her retirement, these duties have yet to be reassigned. The Director of GSD is currently overseeing MHP and HSJ.

We also found that the previous oversight did not include an established process to evaluate the financial viability of operators. One approach to gauging the fiscal health of a CBO operator is to analyze key financial ratios such as the current ratio of net assets to total expenses and days cash.⁷ Generally, the Administration has analyzed the financial ratios only after the organizations showed clear signs of financial distress and approached the City for assistance. As described in Finding I, the City is in the process of drafting a grants manual in which it presents financial ratio analyses. However, this manual currently does not apply to these CBO operators.

A 2007-2008 Santa Clara County Civil Grand Jury report on HSJ questioned the City's CBO oversight capacity. According to the report, *"The City of San José failed to enforce the Operation Agreement with HSJ and failed to heed the auditors' and HSJ's early warnings of financial problems. Based on its current structure the City of San José is not organized to provide sufficient oversight of nonprofit organizations including contract compliance and financial analysis"*. In 2008, HSJ's external auditor had "substantial doubt about the Organization's ability to continue as a going concern". In our opinion, the City needs to ensure that it adequately monitors operators of City facilities to ensure that the City's investment is being appropriately managed.

Furthermore, in at least one instance important financial information was not shared with all concerned departments. Specifically, in 2008 the OCA contracted with a consultant to review the financial condition of the four CBO agencies operating these City-owned cultural facilities as part of a review of grant applications from the four organizations. The consultant reviewed the financial audits of these four agencies for 2006-07 and found that three of the four agencies had significant financial issues.

- One operator was still trying to recover *"from several years of operating deficits...[but]it has not yet completely regained its financial health"*;
- Another was in *"severe financial trouble"*; and
- Another was in *"financial trouble and the continued viability of the organization is in question"*.

⁷ Days cash measures the number of days the organization could continue to operate if no further cash came into the organization. Ideally this number is between 90 and 120 days.

This review was never shared with other City departments even though these CBO operators also receive funding and assistance from other departments and programs.

When CBO Operators Fail, It Presents Significant Administrative And Financial Cost To The City

When these organizations are in financial difficulty, it requires significant additional staff time for analysis, contract amendments, and the changes in financial assistance are difficult to track. For example,

- In 2008, the City agreed to take over the MHP after the Auditor's Office issued an audit report on the Mexican Heritage Corporation's financial condition, two other reports from City-hired consultants were issued, and significant City staff time was spent working on the issue;
- In June 2007, the City contracted with the Macias Consulting Group to do a performance audit of History San José after it requested emergency assistance from the City. As a result of the audit findings and staff recommendations, HSJ received an increased subsidy of \$875,000; and
- After a request for emergency assistance, the City provided the SJ Rep a \$2 million low interest line-of-credit.

We recommend that the City Administration:

Recommendation #6

Clearly identify the individual or office responsible for overseeing each of the CBO operators including gathering, documenting, and providing oversight of the organizations' financial health, governance, and performance. (Priority 3)

Recommendation #7

Establish a monitoring program for CBO operators that gathers, documents, and consistently evaluates financial statements and other documents for indications of the organization's financial health, governance, and performance; and develop policies and procedures for resolving questions and for escalating response for non-compliance (e.g. written notification if an organization has not provided required documents), so that the City and CBO organizations know what to expect. (Priority 3)

Responsibility For Maintenance Of The CBO-Operated Facilities Varies According To Each Individual Agreement

Currently GSD is responsible for tracking the maintenance of some of the CBO-operated facilities. However, as shown above in Exhibit 2, we found that responsibility for maintenance varies according to each individual agreement.

For those organizations that are required to do their own maintenance, GSD does not track the maintenance or maintenance schedules. For those organizations for which GSD tracks the maintenance, it uses an outside consultant to evaluate the CBO's maintenance performance against a Maintenance Manual/Maintenance Matrix. Discrepancies are listed and GSD discusses those with the CBO operator. However, there is no penalty except for an informal discussion reiterating that if equipment fails due to the lack of maintenance, the CBO may need to cover a share of the replacement costs.

We also found that there is no formal process to ensure that GSD is aware of maintenance activities (or lack thereof) at other facilities operated by CBOs through lease agreements with other City departments. Lack of a formal tracking mechanism can lead to problems. For example, the 2004-05 annual performance audit of Team San Jose, Inc. (TSJ) found that TSJ did not provide documentation showing that it had met the City's minimum staffing requirements for a formal training program for City staff responsible for maintaining its facilities; TSJ needed to develop a schedule of planned maintenance for the year and report annually whether the planned maintenance was completed, and even though the facilities were generally ADA compliant, several items needed correction.

In our opinion, the risk of similar future problems could be mitigated if the City establishes a comprehensive process to track maintenance of its facilities to ensure that the public facility is properly maintained.

We recommend that the City Administration:

Recommendation #8

Track maintenance of all CBO-operated facilities to identify deferred maintenance and enforce operating and maintenance agreement provisions if the scheduled maintenance is not performed. (Priority 3)

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Finding III The City's Process For Leasing Property To Community-Based Organizations Needs Better Coordination And Oversight

The City provides financial support to CBOs by offering below-market leases and other agreements for the long-term use of City-owned facilities. These include below-market leases administered through DPW, facility use agreements to use community centers administered through PRNS, and other types of leases and agreements administered through various departments. We found that although City Council Policy 7-1 covers some below-market leases of City-owned facilities, the application of the policy is unclear. Furthermore, there is no complete inventory of CBO leases and agreements for the long-term use of City-owned properties and little consistency in the use of agreement definitions. Responsibility for management of CBO leases is decentralized, and expired leases, limited oversight and inadequate insurance reviews continue to be a problem. In our opinion, the City should identify the rental subsidy to CBO agencies and establish an approval/renewal process for other CBO leases and other agreements for the long-term use of City owned properties as they come due.

The City Has Several Avenues To Grant CBOs Use Of City-Owned Facilities

Currently, the City uses several different methods to allow CBOs to occupy and use City-owned facilities at a below-market rent. These include the City Council's below-market 7-1 policy⁸ and facility use agreements with PRNS. Based on Exhibit 3 below, and discussions with DPW staff, we estimate that there are about 35 CBOs (not including school districts or instructor programming at community centers) involved in some type of land use agreement with the City. However, we found that there is no complete inventory of these CBO leases and other agreements for the long-term use of City-owned properties⁹. Exhibit 3 below summarizes the various below-market leases and long-term use agreements that DPW provided, with assistance from various City departments, to the Office of the City Auditor.

⁸ City Council Policy 7-1, entitled, "*Below Market Rental Policy For Use of City-Owned Land And Buildings By Nonprofit Or Charitable Organizations or for Governmental or other Public Purposes*" allows CBO organizations to occupy City properties for as low as \$1 per month with certain requirements. The San José City Council first adopted Policy 7-1 in 1970. It was revised in 1994 and 2006.

⁹ A lease implies that the landlord has given substantial rights to the tenant, such as exclusive occupancy of the lease premises.

City's Oversight Of Financial Assistance To CBOs

Exhibit 3: Preliminary List Of Below-Market Leases And Other Agreements For Long-Term Use Of City-Owned Property Provided By The Department Of Public Works (As Of November 7, 2008)

Lease Type	Username	Property Address	Admin. Depart.
Council Policy 7-1	ACT for Mental Health	441 Park Ave., San Jose 95110	DPW
	Afro-American Community Services Agency	304 N 6th St., San Jose 95112	DPW
	Alviso Family Health Center	1621 Gold St. San Jose 95101	DPW
	California Trolley And Railroad Corporation	210 N. 4th St., 4th Fl., San Jose 95112	DPW
	GI Forum Project	765 Story Rd., San Jose 95112	DPW
	Mexican Heritage Corporation	1700 Alum Rock Ave., San Jose 95116	DPW
	Our City Forest	151 W Mission St., San Jose 95110	DPW
	San Jose Multicultural Artists Guild	1700 Alum Rock Ave., San Jose 95116	DPW
	Santa Clara Valley Rifle Club	1580 South 10th St., San Jose 95112	DPW
	Silicon Valley Congress of Arab Americans	416 Park Ave., San Jose 95110	DPW
	Teatro Vision	1700 Alum Rock Ave., San Jose 95116	DPW
	YU AI KAI Japanese American Senior Center	588 N 4th St., San Jose 95112	DPW
Non-Profit	Children's Discovery Museum	180 Woz Way, San Jose 95110	CMO
	Immigrant Resettlement	420 Park Ave, San Jose 95110	DPW
	Parent Participating Nursery School	2180 Radio Ave., San Jose 95125	DPW
	San Jose Museum of Art	110 S Market St., San Jose 95113	CMO
	San Jose Repertory Theatre	101 Paseo De San Antonio, San Jose 95113	CMO
	SJ Conservation Corps	2650 Senter Rd., San Jose 95111	DPW
Support Agreement	Friends of Guadalupe River Park & Gardens	715 Spring St., San Jose 95110	PRNS
Lease Agreement	Friends of Guadalupe River Park & Gardens & Redevelopment Agency of the City of San Jose	438 Coleman Ave., San Jose 95110	PRNS
	Tech Museum of Innovation	201 S Market St., San Jose 95113	CMO
Operation & Maintenance	North Valley Little League	Flickinger Ave., San Jose (Park)	PRNS
	Spartan Little League	5239 Roeder Rd. PMB #31, San Jose 95111	PRNS
	South San Jose Softball League	New Compton Street, San Jose	PRNS
Operating Agreement	Catholic Charities of San Jose	921 S 1st St in San Jose 95110	PRNS
	History San Jose - History Park at Kelly Park	1650 Senter Rd., San José 95112	GSD
	History San Jose - Peralta Adobe/Fallon House	175 W Saint John St., San Jose 95110	GSD
	San Jose Police Activities League	680 S 34th St., San Jose 95116	PRNS
	Youth Science Institute	16260 Penitencia Creek Rd, San Jose 95127	PRNS
Grant-GF Use of Property	Rohi Alternative Community Outreach, Inc.	3369 Union Ave., San Jose 95124	PRNS
Design, Development, Operating & Maintenance	Viet Heritage Society	696 E Santa Clara St., San Jose 95112	PRNS
Provider Agreement	National Council on Aging, Inc.	2450 S Bascom Ave., San Jose 95008	PRNS
Worksite Agreement	Rotary Club	88 S 4th St., San Jose 95113	GSD
Rental-Expired Lease Holdover	Green Valley Corporation	Julian & Market St., San Jose	DPW
Non-Defined Lease	River Development Agency	St. James & Julian St., San Jose	DPW

Source: DPW with assistance from various City departments.

Responsibility For Management Of CBO Leases Is Decentralized

Currently DPW is responsible for monitoring and administering the 7-1 leases. However, as stated above, there is no up-to-date or complete inventory of CBO leases and there is a lack of consistency in the use of agreement definitions.

At least four different departments within the City appear to administer CBO leases and other agreements for the long-term use of City-owned properties. For example, one of the leases, the California Trolley and Railroad Corporation, is considered a 7-1 lease under DPW, subject to the 7-1 reporting requirements, but the other lease, with the Viet Heritage Society, is considered a "Grant-GF use of Property" under PRNS. It is not clear if the distinction is due to a different use of the City property.

Furthermore, the CBO status of these organizations is not tracked, so it is not entirely clear how many leases the City has with CBO organizations. Moreover, even though the 7-1 policy was intended to be only for short-term use, some of the agencies under this policy have been at the facility for a number of years.

Finally, we found that there is no consistent delineation of the types of lease responsibilities between City departments. For example, PRNS appears to be responsible for administering leases for community and senior centers. However, one of the leases DPW administers is at a senior center. Another CBO lease was listed under both DPW and PRNS.

We recommend that the City Administration:

Recommendation #9

Clarify when the 7-1 policy should apply to leases with CBOs of City facilities. (Priority 3)

Recommendation #10

Identify all the CBO leases and other agreements for long-term use of City-owned properties, and assign responsibility for monitoring each of them. (Priority 3)

Expired Leases, Limited Oversight, And Inadequate Insurance Reviews Continue To Be A Problem

In 2002, the Auditor's Office issued *An Audit Of The Property Management Operations Of The City Of San José's Department Of Public Works - Real Estate Division* (Audit Report 02-03) noting problems with ensuring compliance with Council Policy 7-1. The audit found limited oversight of CBO leases, including expired leases and lack of insurance forms. It recommended improvements to address these issues, including tracking, implementing a formal application process, including language to require annual submission of the required documents, and designating a person to monitor and ensure that the 7-1 reporting requirements are met.

Although the audit recommendations were considered implemented, our recent review found similar problems still occurring. For example, five of ten leases identified as "7-1 leases" were expired, and rental payments for some agencies were past due as listed in the exhibit below.

Exhibit 4: Expired 7-1 Leases (As Of October 16, 2008)

CBO Lessee	Date Of Expiration	Last Date Of Payment	Comments
1. ACT for Mental Health	6/7/2005	6/27/2007	
2. Alviso Family Health	3/7/1977	2/29/2008	Previously reported: Audit #02-03
3. California Trolley & Railroad	10/31/2007	N/A	
4. Arab American Congress	11/30/2005	Not available	In July 2008, the City executed an agreement to sell this property.
5. Indo Chinese Resettlement	7/17/2005	6/26/2007	City may sell property

Source: Auditor Summary.

We reviewed the expired leases with the City Attorney's Office and they noted that it is particularly important in cases where the lease has expired to ensure rental payments are current.¹⁰

¹⁰ The California Civil Code has a provision to provide for implied renewal of expired leases. According to the City Attorney's Office, if a tenant holds over after the expiration of a lease, under California Civil Code Section 1945 the same terms and conditions of the lease as existed prior to the expiration of the term are presumed to apply to the tenant's status. Generally, though, the landlord may terminate the lease upon 30 days notice when the tenant is remaining on the premises on holdover status after the term has expired.

Limited Oversight

According to the City Council's 7-1 policy for below-market leases, these contracts are intended to be short-term in nature and the CBO organization must perform a definitive community service to primarily serve the citizens of San José. In return for the below-market rent, the CBO organization must provide five documents each year to demonstrate compliance. Required documents include: 1) organizational chart with staff and salaries, 2) names and Board of Directors' addresses, 3) schedule of Board meetings and minutes for the previous year, 4) a certified financial report, and 5) quantitative reports of services provided during the preceding year along with proof that the services are currently available. These required documents can help the City determine if the value of the services provided by the operator to the community has diminished in any way, and terminate its agreement with the operator based on this new information.¹¹

However, we found DPW has not consistently implemented reviews of the annual reporting requirements to ensure that the organizations still qualify for the below-market leases. According to DPW staff, it sent letters to the CBO lessees and requested them to provide annual reporting documentation required under the City Council Policy 7-1. However, DPW did not follow up with non-responding CBOs and has not made any additional efforts to continue the compliance program. In April 2008, the DPW staff person responsible for the leases retired and the duties have yet to be reassigned.

Furthermore, one of the organizations that did not respond to the 2007 DPW request may have violated the terms of its lease with the City. In 2006, the original lessee transferred its rights to use a City-owned parking lot to a private firm that was not eligible for below-market rent. This appears to be in violation of the original lease.¹²

Inadequate Insurance Review

DPW acknowledges problems with oversight of CBO leases. Effective July 1, 2002, all DPW property management operations were transferred to GSD. In September 2002, GSD designated a real estate property agent to

¹¹ It should be noted that non-profit status can usually be verified online at <http://ag.ca.gov/charities> and <http://www.irs.gov/charities>.

¹² Lease section 21 entitled *Assignment* states, "Neither this Lease, nor any interest herein, whether legal or equitable, may be assigned, alienated, pledged, or hypothecated, voluntarily or by operation of law, without the prior written consent of CITY, which consent shall not be unreasonably withheld. Any assignment, alienation, pledge or hypothecation to which CITY's consent has not been obtained shall be void and, at CITY's option, shall terminate this Lease. The Rent adjustment stated in Section 3B is non-assignable and applies only as long as LESSEE, as the qualified nonprofit, remains in possession of the Premises."

monitor CBO leases to ensure compliance with City policies. However, in 2006-07 the function was transferred back to DPW. The person designated to monitor the non-profit leases has since retired.

In May 2008, DPW sent a list of the leases it manages¹³ to the City's Risk Management Division (Risk Management) to verify that the lessees had insurance on file with the City. This insurance is meant to minimize the City's exposure from bodily injury, personal injury and property damage up to \$1,000,000 per occurrence, workers' compensation and employer liability up to \$1,000,000 per accident. Only seven of the 43 leases had current insurance on file with Risk Management.

CBO Leases And Other Long-Term Use Agreements For City-Owned Properties Do Not Include Provisions For Non-Compliance

The City's CBO leases and other long-term use agreements for City-owned properties do not include provisions for non-compliance in case the lessee does not provide the required documents or changes its original mission. According to the DPW, the only recourse that staff has in case a CBO fails to submit the required documents is to either request them again, or to cancel the lease.

We recommend that the City Administration:

Recommendation #11

- 1) Develop a centralized spreadsheet to track the status of CBO leases and other long-term use agreements for City-owned properties with CBOs including key terms and rental payments.**
- 2) Bring current all expired leases, rental payments, insurance certificates, and other required reporting documentation. (Priority 3)**

Recommendation #12

Establish policies and procedures regarding billing and collection for CBO leases and other agreements with CBOs for the long-term use for City-owned properties. (Priority 3)

¹³ DPW reportedly manages about 43 leases Citywide. Other departments also manage City-owned property.

We also recommend that the City Administration:

Recommendation #13

Establish a Citywide policy for enforcement of lease provisions and include provisions for non-compliance in future leases. (Priority 3)

Recommendation #14

Centralize basic real estate functions or train City department staff on consistent implementation and monitoring of CBO leases and other agreements. (Priority 3)

Recommendation #15

Develop a process to ensure that the City coordinates its oversight and monitoring of individual CBO leases and other long-term use agreements for City-owned properties with the oversight and monitoring of individual CBO grants or other forms of financial assistance. (Priority 3)

The City Should Identify The Rental Subsidy To CBOs

Currently, the City does not track the cost of the rental subsidy¹⁴ it is providing to CBOs. In our opinion, unless the administration is aware of the total rental subsidy the City provides, it will not be able to make an informed decision about the value of the services that it receives from these agencies.

We recommend that the City Administration:

Recommendation #16

Identify all of the City's leases to CBO organizations, estimate the rental subsidy of these leases, and prepare an annual public report listing each CBO organization and the estimated amount of the subsidy. (Priority 3)

¹⁴ The subsidy is defined as the estimated market rent that could be charged for the property in question versus the actual rent charged for the property.

The City Does Not Have A Consistent Approval/Renewal Process For Below-Market Leases And Other Agreements For Long-Term Use Of City-Owned Property By CBOs

In our opinion, an approval/renewal process is needed. The City's Community Center Reuse Policy¹⁵ will authorize the PRNS director to solicit service providers through an open and competitive process to occupy City facilities. The competitive process will include a community evaluation panel to help staff select the service providers.

Given the track record of City monitoring of existing operating agreements and leases, it will be important to ensure, up front, that sufficient attention is paid to these agreements, or current problems will simply multiply. The reuse policy also provides an opportunity to establish competitive approval/renewal processes for other CBO leases and agreements for long-term use of City-owned property.

We recommend that the City Administration:

Recommendation #17

Establish an approval/renewal process for CBO leases and other agreements for long-term use for City-owned properties as they come due. (Priority 3)

¹⁵ The Community Center reuse policy establishes the City's policy and guidelines for the free use of certain programming space in return for services, sets forth the criteria used to manage free use of space, and outlines guidelines to help staff fulfill Council's direction to keep Community Center Reuse sites open and available to the community. The Reuse Policy builds on the key ingredients the community and nonprofit groups said they wanted in the City's Reuse plan, and ensures that Community Center Reuse property use agreements have reasonable terms and appropriate insurance language that serves service providers' interests while protecting the City.

Finding IV Further Improvements Are Needed To Ensure Appropriate Oversight Of Grants And All Other Forms Of Financial Assistance

Although the City departments that oversee grant programs agreed with the City Auditor's 2006 Citywide Grant Oversight audit recommendations and have spent significant time trying to implement them, the Citywide manual¹⁶ and database are still not in place. Our audit fieldwork indicates the need for on-going training for grant monitoring staff, the need to develop a comprehensive fraud policy to provide guidance to staff on ways to identify potential fraud and abuse and what to do about it, and the need to review its use of fiscal agents in the grants process. In addition, we found that the City does not have a clear conflict of interest policy for staff that monitor and evaluate CBOs.

The Need For On-going Training

During our 2006 audit of Citywide Grant Oversight, we found that there was a need for on-going training and coordination of City staff involved in CBO oversight in all City departments. This is still the case. As part of this audit, we surveyed grants staff from several departments, many of whom indicated interest in the following:

- Financial training; and
- Clearer protocols to identify red flags.

In September 2008, the City Manager's Office offered a twelve-hour training to program staff on the following:

- Key Concepts in Nonprofit Finance;
- Budgeting for Programs and Proposals;
- Assessing the Financial Health of Grantees; and
- Financial Leadership - Best Practices in Nonprofit Organizations.

¹⁶ The City is in the process of finalizing a grants manual which is intended as a resource for creating, administering and monitoring quality grant agreements with grantees that provide services to the community.

Even though the already-provided training is a step in the right direction, training will need to be provided to staff on an on-going and consistent basis. In our opinion, without adequate financial training, staff will not be in a position to make informed decisions about a CBO's financial and operational viability. In addition, the proposed grants manual does not specify minimum training requirements for grants staff, or assign responsibility to provide consistent on-going training for grants staff.

We recommend that the City Administration:

Recommendation #18

Include in the grant manual specific on-going training requirements for monitoring staff. (Priority 3)

There Is A Need For A Fraud Policy Providing Guidance To City Staff On Ways To Identify Potential Fraud And Abuse And What To Do About It

Currently, the City does not have a fraud policy. Results from a survey of grants staff indicated the need for clearer protocols on how to identify red flags and what to do when they identify a problem. The draft grants manual does identify early warning signs of organizations that may be headed towards severe financial problems-a "Grant Monitoring Early Warning System". This is a step-by-step approach to identify and address grant non-compliance issues and risk areas that could lead to problems with grantee organizations. However, there is no direction on indicators of financial or performance fraud and what staff should do if they suspect fraud.

Previous audit reports identified "red flags" or potential problems. For example, the 2005 *Audit of the Of The Agreements Between The City And The Filipino American Senior Opportunities Development Council* (Fil-Am SODC) found that the Fil-Am SODC used an estimated \$219,414 in City grant funds to cover expenses that were not allowed in the City's grant agreements; the Fil-Am SODC's CEO authorized imprudent expenditures and processes that damaged the organization's financial viability; and the Fil-Am SODC significantly overstated its performance data. The auditors found that Fil-Am SODC's financial statements had indicators of potential problems which should have led to a more detailed review by PRNS staff.

We also found that in another instance City staff had information or was aware of problems, but without a fraud policy or training on what to do, staff were not able to effectively handle the situation. Specifically, the Resources for Families and Communities in Santa Clara County (RFC) was a fiscal agent for the Neighborhood Revitalization Strategy (NRS) grant funds under PRNS oversight. PRNS staff was aware that the organization

did not have \$200,000 of the funds it was entrusted to disburse to neighborhood groups and tried to follow up with the organization, but it was not until the program was transferred to the CMO, that the CMO was able to recover some, although not all, of the funds.

The San José Police Department (SJPD) began investigating the RFC in 2007, but due to a variety of reasons and the closing of RFC, this investigation was not pursued.¹⁷ According to the SJPD, their preliminary investigation identified a number of potential problems with administrative fees, allocation of interest, hiring practices, non-delivery of grant funded services, over-billing, and personal loans. Furthermore, RFC's financial auditors had noted problems in previous audits of RFC which should have triggered a response by PRNS. Although a PRNS staff person began to notice questionable expenses as early as 2002, these problems did not elicit a strong response by the City. It was not until 2005 that the City finally cut funding to RFC.

Other Cities Have Developed Clear Fraud Protocols

Even though the City's draft manual outlines a "Grant Monitoring Early Warning System" for monitoring, it does not include an independent third party review such as the Auditor's Office or the Office of Employee Relations as a means for addressing red flags. The manual could provide descriptions of red flag indicators of fraud.

We found that other cities have clear fraud policies. For example, employees of the City of Menlo Park who suspect fraud are responsible for reporting the issue to the Department Head. The Department Head is responsible for reporting the issue to the City Manager. The City Manager determines the extent of any investigation and assigns appropriate internal personnel to serve as an investigator. Under certain circumstances, the City Manager may assign the case to an external investigator or refer it to the County District Attorney's Office.

The Office of the Inspector General, Commonwealth of Massachusetts, has published a guide to developing and implementing fraud prevention programs. The guide was created to inform public officials of recommendations for developing fraud policies and fraud prevention

¹⁷ In February 2007, the City Attorney's Office requested, and the Rules and Open Government Committee added an audit of RFC to its workplan. Specifically, the City Attorney's Office needed the City Auditor's expertise in reviewing all pertinent financial and contractual records to determine if RFC still owed funds to the City. In April 2008, the City Auditor's Office determined that it would not conduct a separate audit because RFC was already defunct organization and the cost of a full audit would greatly exceed the amount that could be recovered from the defunct organization. Instead, auditors reviewed available documentation and incorporated lessons learned in this report.

programs and provide a list of resources to assist in doing so. It defines and categorizes fraud into three types: 1) corruption; 2) asset misappropriation; and 3) fraudulent statements. According to the guide, every organization should consider one or more of the following strategies: 1) strong internal controls; 2) ongoing anti-fraud education programs; and 3) regular fraud audits.

We recommend that the City Administration:

Recommendation #19

Develop and implement a clear fraud policy which includes a referral policy, what City staff should do if they suspect fraud, and on-going training. (Priority 3)

Due To Past Problems In The Use Of Fiscal Agents, The Administration Should Explore Alternative Methods To Administer And Provide Insurance Coverage For Smaller Grant Programs

The City uses fiscal agents to disburse City funding for some grant programs.¹⁸ The City has had problems in the use of fiscal agents. For example, the Community Action and Pride (CAP) grant program utilized fiscal agents to disburse small grant funds to community groups. According to staff, the City disbursed the funds up-front (not on a reimbursement basis) to the fiscal agent, who in turn, disbursed the funds to the neighborhood groups. City staff believes that the groups are primarily small neighborhood groups and would not have the financial means to implement programs on a reimbursement basis. However, reporting has been insufficient and CMO staff identified over \$400,000 in unaccounted grant funds from 2001-02 through 2006-07. CMO staff has been following up and reduced the outstanding amount to about \$380,000. At this point, the CAP grant has documentation that about \$31,000 of these funds from 2006-07 were distributed to the community groups, but has not been able to document whether the unaccounted grant funds from prior years are held with the fiscal agent or the community groups. The CAP program has recently entered into contract with a new fiscal agent. The City has had problems with other fiscal agents using the City's money for operating or other inappropriate purposes such as RFC which are described previously in this report.

¹⁸ A fiscal agent is an organization that takes responsibility for the fiscal duties of an unrelated party.

We found that not all City departments use fiscal agents. For example, the City Clerk's Office administers small grants to organizations without the use of a fiscal agent. One of the principal reasons for the use of fiscal agents is for insurance coverage. The City is self-insured and requires insurance coverage to limit the City's liability. Many of the smaller organizations do not carry an insurance policy so the City has used fiscal agents to meet the insurance requirements. According to the City Attorney's Office, there is no known lawsuit or legal claim stemming from the small grants given directly through the City without insurance coverage. In our opinion, the City should review alternatives given its track record with using fiscal agents.

We recommend that the City Administration:

Recommendation #20

Consider other alternatives to fiscal agents and explore alternative methods to provide insurance coverage for smaller grant programs (Priority 3).

The City's Requirement Regarding Conflicts Of Interest For City Staff Who Manage Grants Is Unclear

City grants staff does not sign conflict of interest forms to disclose and assess potential conflicts. City Policy Manual 5.1.1 on "*Procurement and Contract Process Integrity and Conflict of Interest - Administrative Procedures*" contains a conflict of interest form for City staff to sign. However, the conflict of interest policy is not clear on whether grants staff are required to sign the conflict of interest forms. The only thing that is clear is that Policy 5.1.1 does not currently require staff to sign forms for award of grants by the City with a value below \$10,000.¹⁹ The policy does not clarify whether grants above \$10,000 would be subject to the conflict of interest policy.

During our review, we noted instances in which City staff has been involved in CBO governance (e.g. members of Board or Directors or capital campaigns) for CBOs associated with the City's grant programs. Given the need for transparency and the City's recent Sunshine Task Force efforts, these potential conflicts of interest should be disclosed and evaluated for their appropriateness.

¹⁹ The policy states that "*The following competitive processes are not subject to the procedural requirements of this policy: 1) Any contracting activity with an estimated value less than \$100,000, 2) Disposition of goods as described in the Municipal Code Section 4.16, and 3) Award of grants by the City with a value below \$10,000.*" [Emphasis added.]

We recommend that the City Administration:

Recommendation #21

Require staff involved in grant oversight to fill out conflict of interest forms and recuse themselves from certain decisions; and develop clear protocols for determining who should make final determination on whether potential conflicts exist. (Priority 3)

Memorandum

TO: Sharon W. Erikson
City Auditor

FROM: Katy Allen
Jeff Ruster

SUBJECT: SEE BELOW

DATE: November 6, 2008

Approved

Debrah Ahna

Date

11/6/08

**SUBJECT: THE ADMINISTRATION'S RESPONSE TO AN AUDIT OF THE CITY'S
OVERSIGHT OF FINANCIAL ASSISTANCE TO COMMUNITY-BASED
ORGANIZATIONS**

The Departments of General Services, Public Works, Housing, Parks, Recreation and Neighborhood Services (PRNS), and the Office of Economic Development have reviewed the report *An Audit of the City's Oversight of Financial Assistance to Community-Based Organizations* and are generally in agreement with the findings and concur with the recommendations made by the City Auditor's Office.

It is important to note that it was at the request of the City Manager's Office that this audit was conducted. This request was based on a series of non-profit institutions experiencing financial difficulties that negatively and severely impacted their ability to meet their contractual obligations with the City. Associated with these financial difficulties were requests at times by the non-profits for emergency City funding to remedy their distressed financial situation.

In light of these occurrences and in recognition of the critical role that non-profits play in the delivery of Core Services, the City has developed a Non-Profit Engagement Platform (the "Engagement Platform") that centers upon a systematic and proactive operating framework to be used within and across all City departments when contracting, evaluating, and supporting a non-profit contractor. This Engagement Platform represents a significant change and emphasis for how the City approaches its contractual relationships with non-profits.

There are many recommendations that support the four (4) Audit Findings and there is conceptual agreement with the goals of implementing these recommendations. However potential resource limitations could result in adjustments or partial implementation of the proposed approaches. Moreover, for this new strategic approach to generate the desired impact, staffing and financial resources must be dedicated to complete and sustain many of the initiatives and activities outlined below, including, without limitation, design and implementation of the grants database, review of financial statement and audits, and on-going oversight and evaluation of the various elements of the Engagement Platform and leases for city-owned property.

These various strategic and tactical elements will also just as importantly need *time* to generate the desired outcomes of increased impact and accountability. Indeed, it can be fully anticipated that certain elements of the Engagement Platform will be adjusted to account for lessons learned during the early stages of implementation, as well as changes to the City's wider spectrum of budget priorities and policies.

As currently envisioned, success via this new Engagement Platform is defined by the following achievements and outcomes:

- A Culture of Grantsmanship – The Engagement Platform provides for an “ecosystem” within which the City and its non-profit contractual partners can work together to benefit the citizens of San José. It recognizes and seeks to explicitly deal with the balancing act of working with the non-profit community to help them maximize impact, while at the same time creating a transparent system of accountability.
- Enhanced Internal Communication – The Engagement Platform provides for a City-wide framework of standardized processes, real time communication, joint problem solving, and dissemination of best practices between and among Senior Staff and program managers. City-wide teams at various levels have been established and feature the following:
 - Non-Profit Strategic Engagement Committee (NPSEC): This team of Departmental Directors and other Senior Executive staff, meets monthly to identify and formulate policy priorities and oversees the key components related to oversight, strategic direction and challenges facing the City. This committee will also receive periodic reports as generated by the City-wide grants database and other sources to assess trends and recurrent themes regarding the challenges and opportunities related to the portfolio of non-profit contractual arrangements.
 - Grants Management Working Group: This inter-departmental team of program managers and related staff also meets monthly to define and develop the key components related to city-wide grants management, including an early warning system, overarching policies and procedures, as well as to review periodic activity and performance reports, and engage in sharing of best practices and joint problem solving. This group also includes a single point of contact for non-profit oversight, identified by each Department that administers grants.
 - Grants Management Oversight Team: Within the City Manager's Office a dedicated team has been established for the current fiscal year that facilitates the activities of the NPSEC and the Grants Management Working Group and that contributes and tracks progress towards specific outcomes and deliverables. This Team provides oversight, coordination, communication, and support to the City

departments relative to changes in policies and procedures in grant administration. This Oversight Team also is the communication link between the City Manager's Office and the Departmental grant management staff.

- Development of an Early Warning System – The Engagement Platform provides for a system to minimize risk when partnering with non-profits at all levels of engagement by early detection of indicators of potential problems. This system is incorporated throughout a grants manual that defines a baseline of common policies and procedures related to contract preparation, monitoring and close-out for grants issued to CBOs and outlines appropriate steps for dealing with issues as they arise.

In addition, a key foundation of the early warning system will be a City-wide grants management database that will provide comprehensive and timely information regarding grant activity. The City has recently finalized contract negotiations for the purchase of such a database and it is anticipated that the initial design work will commence within the next two months, with full implementation anticipated over the following 12 months. A full-time project coordinator has been identified within PRNS to work with the various departments during the design and implementation phase of this project.

- Increased Staff Capacity – The Engagement Platform provides for a system of continuing education, training, and technical assistance for City staff to enhance their knowledge and build their skill sets, with particular emphasis on staff ability to review financial statements and audits. Training has already been conducted for an initial cohort of City program staff. On a regular basis, additional trainings will be provided to staff.
- Mobilization of Technical Assistance to Non-Profits – The Engagement Platform provides for the development of a network of community-based technical assistance providers that non-profits can use as a resource to increase their capacity and resolve issues in a timely and targeted manner. Agencies that can provide pro bono technical assistance to non-profits have been recently identified and stand ready to assist non-profits in need of additional support. Key areas of technical support provided via these agencies will include development of internal financial controls, strategic and business planning support, technology audits, and development of strong governance systems. In addition, the City has available an organizational assessment tool that is applicable to non-profits that are the subject of substantive monitoring or audit findings. Staff has recently been trained in the application of this tool and will soon begin deployment on an as-needed basis.
- Asset Management Program - A comprehensive and rigorous Asset Management Program is under development by the City Manager's Office and the Public Works and General Services Departments as part of the citywide effort to address the structural budget deficit and to evaluate the use of City owned real property. One of

the goals of the Asset Management Program is to provide a comprehensive and consistent approach to the use of real property assets. This work includes a decision-making methodology for leasing properties below market rate. This is a work in progress and many of the recommendations included in this audit fall within the scope of this broader work effort.

The above-referenced strategic and tactical elements provide an opportunity for non-profits working with the City to strengthen their relationships with the City, while increasing their capacities, and creating *enhanced impact and accountability*.

Specific responses to the Audit recommendations are listed below with the findings and recommendations noted.

FINDING I. THE CITY DOES NOT HAVE A CENTRAL MECHANISM TO TRACK ALL FORMS OF FINANCIAL ASSISTANCE

The City's responses to Finding I center upon the development of a grants manual, a city-wide grants database and information generated from the application of both these tools.

The grants manual has been completed and an initial training program has been conducted to facilitate staff application of the grants manual. The vendor contract for the design and on-going operational support of the grants database is anticipated to be finalized within the next 30 to 60 days, with implementation expected approximately 12 months following contract execution.

The City's ability to implement and sustain these responses will be directly dependent on its continued ability to provide the appropriate levels of resources.

Recommendation #1: *Complete and expand grants manual and proposed grants database to cover other forms of financial assistance. (Priority 3)*

Agreed: The grants manual is now complete. Staff will expand upon certain components of the grants manual to develop a manual for management and oversight of the operating agreements and below-market leases. Additionally, staff will conduct an analysis to assess the appropriateness and cost-effectiveness of including other forms of financial assistance to be included within the proposed grants database.

Recommendation #2: *Assign responsibility for compiling and maintaining a complete and accurate list of grants prior to full implementation of the grants database (Priority 3)*

Agreed: A list of grants awarded in FY 07-08 as segmented by City Core Service and Funding Source has recently been compiled and coordinated by the City Manager's Office. This list will continue to be maintained by the Grants Management Oversight Team. During course of this fiscal year, a similar report summarizing grants awarded during the course of FY 08-09 will be compiled.

Subject to the proper resource support, this report will be produced on a quarterly basis once the grants management database is active and able to generate such a report.

Recommendation #3: *Develop an annual summary of funding by recipient (perhaps in the annual operating budget) that shows all forms of financial assistance. (Priority 3)*

Agreed: Subject to the proper staffing support, the annual summary will be developed by the City Manager's Office following implementation of the before-mentioned grants database. A summary of grant funding by recipient and funding sources will be a required report generated by the database. The actual mechanism for disseminating this information will be defined once the grants database is operational and capable of producing such reports.

Recommendation #4: *Establish criteria for when audited financial statements should be required and reviewed. (Priority 3)*

Agreed: This requirement has been included in the final version of the before-referenced grants manual and will be set at \$200,000 of City grant funding received from the City during a fiscal year. Department Directors will have discretion to perform the required analysis on aggregate awards of less than \$200,000 or as may be required by specific funding source.

Recommendation #5: *Prepare an annual report to City Council based on a review of the financial audits of community-based organizations that meet the criteria established by recommendation #4, including:*

- *Financial Ratios*
- *Summary of external audit findings, and*
- *Percentage of Agency revenue comprised of City Funding. (Priority 3)*

Agreed: The first report for City Council will be submitted following completion of the City-wide grants management database and is again subject to the City's ability to provide the proper level of staffing support and incorporate the appropriate terms into these agreements.

FINDING II: THE CITY NEEDS TO IMPROVE ITS MONITORING OF COMMUNITY BASED ORGANIZATIONS THAT OPERATE CITY FACILITIES

The City's response to Finding II mirrors to a large extent those related to recommendations associated with Finding 1. The City will (i) assign a single point of contact for each of the identified operating agreements, (ii) leverage the applicable areas fo the grants manual, and modify where necessary, in preparing a similar manual for operating agreements, and (iii)

develop a compatible database to track the various operational and contractual elements associated with these agreements.

The City's ability to implement and sustain these responses will be directly dependent on its continued ability to provide the appropriate levels of resources.

Recommendation #6: *Clearly identify individual or office responsible for overseeing each of the CBO operators that operate City-owned cultural facilities, including gathering, documenting, and providing oversight of the organizations' financial health, governance, and performance. (Priority 3)*

Agreed: Staff has already identified a point of contact to conduct and, where applicable, coordinate with other departments the above-referenced activities.

Recommendation #7: *Establish a monitoring program for CBO operators that gathers, documents and consistently evaluates financial statements and other documents for indications of the organization's financial health, governance and performance; and develop policies and procedures for resolving questions and for escalating response for non-compliance (e.g. written notification if an organization has not provided required documents), so that the City and CBO organizations know what to expect. (Priority 3)*

Agreed: As referenced in the response to Recommendation #1, staff will prepare a manual, utilizing certain common components of the grants manual, including the proposed monitoring components and related policies and procedures for resolving questions and escalating response for non-compliance.

Recommendation #8: *Track maintenance of all CBO-operated facilities to identify deferred maintenance and enforce operating and maintenance agreement provisions, if the scheduled maintenance is not performed. (Priority 3)*

Agreed: As part of the manual referenced in Recommendation #7 the policy and procedures for tracking maintenance and for enforcing operation and maintenance agreements provisions will be incorporated.

FINDING III: THE CITY'S PROCESS FOR LEASING PROPERTY TO COMMUNITY BASED ORGANIZATIONS NEEDS BETTER COORDINATION AND OVERSIGHT

The City's response to Finding III consists of defining policies and management oversight of properties leased to non-profits. Many of these leases predate the revised Policy 7-1 and require transitioning from past practices to new asset management priorities. The strategy to bring these

leases into compliance and to develop a consistent and sustained approach to enforcement is underway as part of the Asset Management work effort.

The City's ability to implement and sustain these responses will be directly dependent on appropriate resources needed to implement these recommendations.

Recommendation #9: *Clarify when the 7-1 policy should apply to leases with CBOs of City facilities. (Priority 3)*

Agreed: Policy 7-1 should be clarified to remove ambiguity as to whether it applies to all CBOs occupying any City property at a below market rate, regardless of whether the City intends to surplus the property. Pending that clarification (anticipated to occur in the Council's Asset Management policy discussion in early 2009), staff will request all CBO's to provide the same information as is specified in Policy 7-1. Leases with CBO's will be clarified to be consistent with the Policy, and where appropriate, the standardized 7-1 lease agreement will be used.

Recommendation #10: *Identify all the CBO leases and other agreements for the long-term use of City-owned properties and assign responsibility for monitoring each of them. (Priority 3)*

Agreed: To ensure consistency and a centralized location for reporting this information, work is underway to identify departments that have oversight responsibility for all leases and other long-term use agreements with CBOs. The inter-departmental Property Acquisition and Disposition Committee has made measurable progress in this effort and recognizes the need to complete this work.

Recommendation #11: *1) Develop a centralized spreadsheet to track status of CBO leases and other long-term use agreements for City-owned properties with CBOs including key terms and rental payments. 2) Bring current all expired leases, rental payments, insurance certificates and other required reporting documentation. (Priority 3)*

1) Agreed: A centralized spreadsheet will be developed once the once the work described in the response to Recommendation 10 is complete.

2) Agreed: Public Works is currently reviewing and responding to non-compliant leases that it administers. Progress on the remaining leases and other long term use agreements will be part of the work identified in the response to Part 1 of this recommendation.

Recommendation #12: *Establish policies and procedures regarding billing and collection for CBO leases and other agreement with CBOs for the long-term use for City-owned property. (Priority 3)*

Agreed: Public Works has met with the City's Finance Department and Budget Office to improve billing and tracking payments for those leases administered by Public Works.

The methods and procedures identified will be shared with other departments responsible for managing leases and long-term use agreements.

Recommendation #13: *Establish a Citywide policy for enforcement of lease provisions and include provisions for non-compliance in future leases. (Priority 3)*

Agreed: Leases being administered by Public Works are currently being reviewed. This effort includes bringing current non-compliant leases. Staff is considering various lease enforcement options including a provision whereby the City would begin billing the lessee at a fair market rate until compliance is achieved. Work in the future would include internal review and responding to non-compliant leases being administered by other departments.

Recommendation #14: *Centralize basic real estate functions or train City department staff on consistent implementation and monitoring of CBO leases and other agreements. (Priority 3)*

Agreed: The Asset Management Program that is under development will include a consistent and comprehensive strategy for managing leases and monitoring the status of all city property leased to outside entities.

Recommendation #15: *Develop a process to ensure that the City coordinates its oversight and monitoring of individual CBO leases and other long-term use agreements for City-owned properties with the oversight and monitoring of individual CBO grants or other forms of financial assistance. (Priority 3)*

Agreed: The Asset Management Program that is under development will include a consistent and comprehensive strategy for managing leases, monitoring the status of all city property leased to outside entities, and sharing the information with other City staff involved in the Engagement Platform.

Recommendation #16: *Identify all of the City's leases to CBO organizations, estimate the rental subsidy of these leases, and prepare an annual public report listing each CBO organization and the estimated amount of the subsidy. (Priority 3)*

Agreed: Public Works will identify fair market value for each CBO leasehold interest and compare such value to the below market lease rate as contracted. That information shall be contained within a report to the City Manager to be issued at the end of each fiscal year. This information will be reported to the public via the mechanism described in the response to Recommendation 3.

Recommendation #17: *Establish an approval/renewal process for CBO leases and other agreements for long-term use for City-owned properties as they come due. (Priority 3)*

Agreed: Effective implementation of this recommendation will require council approval of the applicable criteria and a collaboration of staff developing the CBO Engagement Platform and staff performing systematic reviews of the use of City-owned real property assets. The specifics of this process will be developed as part of a proposed Asset Management Program that will be brought to the City Council in early 2009.

**FINDING IV: FURTHER IMPROVEMENTS ARE NEEDED TO ENSURE
APPROPRIATE OVERSIGHT OF GRANTS AND ALL OTHER FORMS
OF FINANCIAL ASSISTANCE**

Finding IV recommendations address a broad range of issues, ranging from the need for an on-going training program to build staff capacity to monitor grants and other related agreement, to the development of a waste, fraud and abuse policy, to an assessment of whether fiscal agents should continued to be used as part of the City's administration of grants. In certain instances, the City has already developed a specific response, and in others will need additional time to analyze various options to address the area of concern.

Recommendation #18: *Include in the grant manual specific on-going training requirements for monitoring staff and develop criteria when audited financial statements are obtained and reviewed. (Priority 3)*

Agreed: An on-going training schedule and recommended frequency of training for staff is included in the introduction to the Grants Manual. The City's Human Resource Department will now include a regular training program for staff related to review of non-profit financial statements. The first round of training for City Staff on Analysis of Non-Profit Financial Statements was already completed on September 29, 2008. In addition, on November 6, an initial cohort of City program staff received training on the grants manual. The ability to sustain this training effort will be contingent upon resources dedicated to support this effort.

Audited Financial Statements will be obtained and reviewed annually for Grantees receiving a cumulative grant amount during a fiscal year from the City of greater than \$200,000.

Recommendation #19: *Develop and implement a clear fraud policy which includes a referral policy and what City staff should do if they suspect fraud, and on-going training.*

Agreed: City staff, in coordination with the City Attorney's Office, developed a fraud definition and identified key concepts and steps for staff to take if they suspect fraud. The Grants Manual now includes this information. The annual City training program referenced in response to Recommendation 18 will include a module related to the supporting staff in identifying fraud and adhering to the guidelines established in the respective referral policy.

Recommendation #20: *Consider other alternatives to fiscal agents and explore alternative methods to provide insurance coverage for smaller grant programs. (Priority 3)*

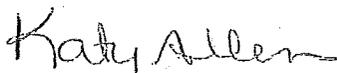
Agreed: Staff that administer grants using fiscal agents have met with the City Attorney's Office and Risk Management to consider and explore alternative methods of providing insurance coverage for smaller grant programs. Reasons for using fiscal agents include:

- insurance concerns;
- funding requirements, such as those for CDBG, for grantees to be 501(c)(3) organizations, using a fiscal agent avoids placing undue burden on small groups to force them to incorporate or forgo funding;
- departments and semi-autonomous divisions of San Jose State University require use of a fiscal agent to accept grant money – these programs could not proceed if no fiscal agent was used; and
- granting to a coalition of individuals that need a legal entity to sign the agreement to avoid potentially burdening one individual from taking complete responsibility for the contract.

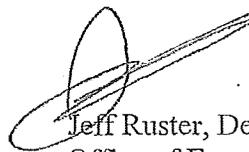
This group will continue to meet monthly to explore alternative methods of providing the services fiscal agents provide, and to develop policies and procedures to minimize risk in any grant programs in which fiscal agency is necessary.

Recommendation #21: *Require staff who is involved in grant oversight to fill out conflict of interest forms and recuse themselves from certain decisions; and develop clear protocols for determining who should make final determination on whether potential conflicts exist. (Priority 3)*

Agreed: Now included in the Grants Manual are the following requirements: All staff involved in oversight of grants over \$10,000 shall comply with the provisions in City Policy 5.1.1. Staff involved in oversight of grants under \$10,000 will complete, acknowledge and sign a statement indicating that the staff member has reviewed the conflict of interest regulations of the specific funding source(s) being managed, including applicable federal, state and local requirements. Staff will also acknowledge that a conflict of interest does not exist. If staff is unable to certify that no conflict exists, staff will recuse themselves from decisions involving the potential conflict of interest. Council Policy 0.35 indicates that the City Attorney's Office will make the final determination on whether potential conflicts exist.



Katy Allen, Director
Public Works Department



Jeff Ruster, Deputy Director
Office of Economic Development

Sharon W. Erikson, City Auditor

November 6, 2008

Response to An Audit of City's Oversight of Financial Assistance to Community Based Organizations

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Steve Ferguson
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Mark DeCastro
Barbara Jordan

APPENDIX A

DEFINITIONS OF PRIORITY 1, 2, AND 3 AUDIT RECOMMENDATIONS

The City of San Jose's City Policy Manual (6.1.2) defines the classification scheme applicable to audit recommendations and the appropriate corrective actions as follows:

Priority Class ¹	Description	Implementation Category	Implementation Action ³
1	Fraud or serious violations are being committed, significant fiscal or equivalent non-fiscal losses are occurring. ²	Priority	Immediate
2	A potential for incurring significant fiscal or equivalent fiscal or equivalent non-fiscal losses exists. ²	Priority	Within 60 days
3	Operation or administrative process will be improved.	General	60 days to one year

¹ The City Auditor is responsible for assigning audit recommendation priority class numbers. A recommendation which clearly fits the description for more than one priority class shall be assigned the higher number.

² For an audit recommendation to be considered related to a significant fiscal loss, it will usually be necessary for an actual loss of \$50,000 or more to be involved or for a potential loss (including unrealized revenue increases) of \$100,000 to be involved. Equivalent non-fiscal losses would include, but not be limited to, omission or commission of acts by or on behalf of the City which would be likely to expose the City to adverse criticism in the eyes of its citizens.

³ The implementation time frame indicated for each priority class is intended as a guideline for establishing implementation target dates. While prioritizing recommendations is the responsibility of the City Auditor, determining implementation dates is the responsibility of the City Administration.

APPENDIX B
LIST OF MEMORANDA/AUDIT REPORTS ISSUED BY THE CITY
AUDITOR'S OFFICE INCLUDING CURRENT STATUS OF
RECOMMENDATIONS

April 19, 2002: An Audit Of The Property Management Operations Of The City Of San Jose's Department Of Public Works - Real Estate Division (Audit Report 02-03)

The first finding in this audit focused on the Real Estate Division's management of twelve below-market leases and found that the City Council should revisit its policy on leases of city-owned property at below market rents. Specifically, the audit found that:

- Certain requirements in City Council Policy 7-1 are subjective and difficult to measure;
- Non-profits have used City-owned land and buildings for an average of 20 years, with one non-profit using a City-owned facility for over 50 years;
- The fair market annual rental value for the City-owned land and buildings non-profits lease is nearly \$540,000;
- Non-profit leases lack provisions to compel compliance with City Council Policy 7-1;
- The lack of a formal application process for non-profit leases of City-owned land and buildings exposes the City to the risk that some non-profits could receive preferential treatment from the City;
- There is limited City staff oversight of non-profit leases;
- Four of the 12 non-profit leases had expired from two to 24 years ago; and
- Three of the 12 non-profits leasing City-owned land and buildings did not have proof of insurance on file with the City.

The Auditor's Office recommended that:

1. The City Council revisit its policy on non-profit leases of City-owned properties. (Priority 2).

STATUS IMPLEMENTED. The General Services Department presented the revised 7-1 policy on non-profit leases to the City Council on June 20, 2006. The City Council adopted the revised policy 7-1.

2. The Administration/Department of Public Works/Real Estate Division include language in its leases with non-profits requiring the annual submission of documents to the Division to facilitate an annual review. (Priority 3).

STATUS IMPLEMENTED. Subsequent to the adoption of City Council Policy 7-1, leases to entities under 7-1 include both language specifically requiring compliance with the Policy and requirements for provision of information annually as required by the Policy.

3. The Administration/Department of Public Works/Real Estate Division establish a formal application process for non-profit leases of City-owned property including the submission of key non-profit background information. (Priority 3).

STATUS IMPLEMENTED. The City now requires submission of all documentation required by City Council Policy 7-1 as part of the application process for non-profits seeking to lease City property at a below-market rate. In January 2007, all entities leasing subject to City Council Policy 7-1 received a written request to provide by March 1, 2007 all documentation as required by the Policy. In February 2007, the entities were again reminded of the requirement by letter and telephone and offered City assistance to complete and submit the required information. In March 2007, a review of response resulted in identification of entities no longer in tenancy. The responses from entities in tenancy were substantially in compliance with the provisions of City Council Policy 7-1 and staff is working with them toward complete compliance.

4. The Administration/Department of Public Works/Real Estate Division designate a staff person to monitor non-profit leases and ensure that these leases are renewed in a timely manner, have appropriate insurance, and are in compliance with Revised City Council Policy 7-1 on Below-Market Rents provision. (Priority 3).

STATUS IMPLEMENTED. Effective July 1, 2002, all Public Works' property management operations were transferred to the General Services Department. In September 2002, the Department designated a real estate property agent to monitor non-profit leases to ensure compliance with city policies.

August 22, 2002: An Audit Of The Boys And Girls Clubs Of Silicon Valley (Audit Report 02-09)

The City of San Jose provides funding to the Boys And Girls Clubs Of Silicon Valley (B&GC) through a Community Development Block Grant, San Jose BEST, Safe School/Healthy Students (SSHS) subgrant, and other City grants. The City also provides subsidized facilities at the B&GC Northside Club. The objective of this audit was to review the financial condition and cash handling controls of the B&GC. The scope of our audit was the period from January 2002 through May 2002. Audit findings were:

- The B&GC used restricted funds for general operating purposes;
- Cash flow projections indicate that the B&GC will require \$233,000 in lines of credit beyond 2002 to continue operating;
- The B&GC's current accounting system is inadequate to account for and report on the administration of B&GC's various contracts and grants;
- Our review of the B&GC's cash handling and bank reconciliation disclosed internal control weaknesses and inadequate or missing documentation;
- Legal actions from an ex-employee and a former consultant are pending against the B&GC; and
- The B&GC does not have County of Santa Clara food safety certification required for food sales at the clubhouses and therefore is not in compliance with the County's Food Safety Program.

In response to these problems and this audit, the Boys and Girls Club of Silicon Valley planned (at the time of audit issuance) to make a number of changes (these changes have not been verified by this office.) These included:

- Hiring a new Executive Director;
- Establishing a Finance Committee of the Board of Directors;
- Implementing cost cutting measures;
 - Staff reduction,
 - Reduction in hours of operation,
 - Reduction in non-reimbursed services through the San José BEST Program,
 - Increased fees for membership,
- Establishing a Board Outreach Committee to identify potential candidates to serve on the Board of Directors; and
- Creating a Development Plan.

No recommendations were made for this audit.

January 29, 2003: An Audit Of The West Valley-Mission Community College District And The Santa Clara County Black Chamber Of Commerce Regarding The Grant Agreement to Carry Out The Technology Education Career Hub (Tech Q-III) Project In 2001-01 and 2001-02 Pursuant To The Healthy Neighborhood Venture Fund (Audit Report 03-02)

The West Valley Mission Community College District (WVMCCD) entered into a grant agreement with the City of San Jose to carry out the Technology Education Career Hub (Tech Q-III) Project in 2000-01 and 2001-02 pursuant to the Healthy Neighborhood Venture Fund (HNVF) Program. The Santa Clara County Black Chamber of Commerce (SCCBCC) was the original grant applicant. However, the City approved the Tech Q-III Project only on condition that the SCCBCC partnered with an approved fiscal agent. The WVMCCD agreed to serve as that fiscal agent. In doing so, the WVMCCD assumed primary grantee responsibility for the implementation of the Tech Q-III Project. According to the SCCBCC, the newly appointed Executive Director of the SCCBCC requested this audit be performed to identify areas for improvement in their operations.

The audit report found that:

- Documentation of participant eligibility was inadequate;
- Participant course completion was not properly documented;
- Participant job placement certifications were incomplete;
- The grantee overspent its budget for computer equipment;
- The SCCBCC's cash handling activities and accounting records showed non-compliance with Federal and state non-profit reporting and payroll tax requirements, internal control weaknesses, and inadequate or missing documentation; and
- Computer equipment costing \$2,384 is missing.

No recommendations were made for this audit.

June 16, 2005: An Audit Of The Agreements Between The City And The Filipino American Senior Opportunities Development Council (Audit Report 05-02)

- *September 7, 2005: Update On Northside Community Center Operations (Audit Memorandum)*
- *November 30, 2005: Fil-Am SODC, Inc. (Audit Memorandum)*

Fil-Am Senior Opportunities Development Council (Fil-Am SODC) is a organization that was formed in San José to help senior citizens obtain services and benefits. The City of San José provided funding to this organization through the City's General Fund, Community Development Block Grant (CDBG) grant program, and Healthy Neighborhoods Venture Fund (HNVF). The City's grants contributed significantly to Fil-Am SODC's total revenue, at times exceeding 84%. After the former Deputy

Director of Fil-Am SODC submitted a letter to PRNS alleging misuse of public funds, the City Manager's Office asked that the City Auditor's Office conduct a detailed audit of the agreements between Fil-Am SODC and the City.

The audit found that:

- Fil-Am SODC used an estimated \$219,414 in City grant funds to cover expenses that were not allowed in the City's grant agreements;
- The Fil-Am SODC's CEO authorized imprudent expenditures and processes that damaged the organization's financial viability;
- The Fil-Am SODC Board of Directors did not provide sufficient oversight;
- Fil-Am SODC's audited financial statements did not clearly disclose significant items that would have been useful for users of its financial statements, such as the City; and
- The Fil-Am SODC significantly overstated its performance measures.

We also found that PRNS' oversight of the community center, and the administration of the HNVF and CDBG grant funds awarded to Fil-Am SODC was inadequate.

Specifically, we found that PRNS:

- Did not compare the different sources of funding for Fil-Am SODC to identify duplication or overlaps;
- Did not adequately review Fil-Am SODC's reported performance measures;
- Did not ensure that Fil-Am SODC complied with grant agreement requirements for documentation and changes to the approved budgeted costs; and
- Did not implement appropriate controls for the use and financial support of the City-owned *Jacinto "Tony" Siquig Northside Community Center*.

We recommended that PRNS:

1. Work with the City Attorney's Office to take appropriate action and address the Fil-Am SODC's use of City grant funds on ineligible activities that we identified for 2002-03 and 2003-04. (Priority 1)

STATUS IMPLEMENTED. The City Attorney's Office has filed suit against Fil-Am SODC to recover ineligible fund expenditures.

2. Review the City's 2004-05 and subsequent funding of Fil-Am SODC to ensure that it is not continuing to use City funds on ineligible activities. (Priority 2)

STATUS IMPLEMENTED. Fil-Am SODC received \$39,342.27 in 2005-06 HNVF funding for approved HNVF activities provided directly by qualifying Fil-Am staff during July 1, 2005 through February 2006. Fil-Am SODC did not successfully apply for 2006-07 funding.

3. Work with the Fil-Am SODC and provide training on appropriate Board of Director oversight and implementation of organization policies and procedures. (Priority 3)

STATUS IMPLEMENTED. The organization ceased providing services for the City of San José in May 2006.

4. Work with Fil-Am SODC to ensure that its performance measurement reporting is appropriate, accurate and does not include duplication of other services, programs and grants. (Priority 2)

STATUS IMPLEMENTED. Fil-Am SODC ceased providing services in May 2006.

5. Ensure that Fil-Am SODC's performance measurement reporting distinguishes between community uses of the Community Center and those activities qualifying as grant agreement activities. (Priority 2)

STATUS IMPLEMENTED. The Fil-Am HNVF agreement for 2005-06 was solely for the reimbursement of documented staff time for qualified services. PRNS reviewed submissions for reimbursement for qualified services and duplication for services during 2005-06. Fil-Am ceased providing services in May 2006.

6. Amend its grant agreements to require organizations to disclose non-City grant sources of funding and identify all sources of funding for City funded activities. (Priority 3)

STATUS IMPLEMENTED. According to PRNS, during the contract development process, PRNS staff reviews funding overlap and documents that this review was completed on a "Contract Development Sheet."

7. Consolidate HNVF-funded tutoring programs at Independence High School and ensure there are no additional funding overlaps at other schools. (Priority 3)

STATUS IMPLEMENTED. According to PRNS, as of February 28, 2007, HNVF, BEST, SJAS and CDBG have begun sharing information with each other, at the application review level, to determine if any funding overlaps exist. PRNS also requires applicants to disclose all sources of funding,

including City and non-City sources in the Source of Funds statements. These controls should help PRNS identify and prevent any potential duplicate funding requests for tutoring programs, as noted in our audit.

8. Require grant recipients to provide a list of the activities and units of service performed under their grant agreements with the City, and compare these lists to recipients' quarterly reports to the City to verify that reported participants are eligible. (Priority 3)

STATUS IMPLEMENTED. The City Auditor's Office met with PRNS Grants Staff in December 2007 and reviewed the updated monitoring process, forms, and sample files. We noted that the new forms and processes provide additional controls to implement the recommendation. For example, the Initial Visit Monitoring Worksheet requires PRNS Grants Staff to observe the program in action, and to review the organization's intake forms and other documentation to verify the program activities required under the grant agreements. It also requires signatures from both PRNS Grants Staff and an Agency Representative to help ensure accountability.

9. Enforce the requirement that grant recipients submit a cost allocation plan and that grant recipients also request prior PRNS approval of any changes or shifts in funding or budgeted amounts. (Priority 3)

STATUS IMPLEMENTED. The City Auditor's Office met with PRNS Grants Staff in December 2007 and reviewed the updated monitoring process, forms, and sample files. According to PRNS, the Grants Program Manager is reviewing back-up documentation prior to approving financial disbursement requests. We also noted that the PRNS Grants Staff updated the monitoring process and forms to include a second site visit in which the staff is required to check if the organization's financial reports are properly allocated to the grant.

10. Develop a monitoring process and appropriate documentation to review audited financial statements and compliance audits. (Priority 3)

STATUS IMPLEMENTED. As noted in previous follow-ups, the City Auditor's Office provided a training session for PRNS staff on March 14, 2006 on reviewing audited financial statements and compliance. According to PRNS, PRNS staff also attended additional training. As of the last review, PRNS was in the process of updating its audit checklist and was in discussion with the Finance Department to identify additional resources for assisting in the review of agency audits. Since the last follow-up process, PRNS updated the "Audit Review Checklist." The checklist includes controls to identify potential financial weaknesses and reportable conditions. It also requires PRNS staff to document follow-up steps as appropriate. According to PRNS,

if PRNS staff identifies anomalies in the audited financial statements, they will refer the agency's financial statements to the Finance Department for further evaluation and action as appropriate.

11. Provide training to those staff responsible for grant recipient monitoring and oversight to help detect irregularities or identify potential problems indicated in the audited financial statements. (Priority 3)

STATUS IMPLEMENTED. The City Auditor's Office provided a training session for PRNS staff on March 14, 2006. Staff also attended a training course titled "Understanding Nonprofit Financial Statements" on August 29, 2006.

12. Develop and implement procedures that incorporate the City's total support of an organization, including free rent and payment of utilities as part of the grant review process. (Priority 3)

STATUS IMPLEMENTED. The Source of Funds statement requires applicants to disclose all sources of funding, including City and non-City sources of funding, and subsidies such as rent and utilities.

13. Work with the City Attorney's Office and City Manager's Office to develop and implement procedures to ensure organizations do not occupy City facilities without the benefit and protection of a current operating or facility use agreement. (Priority 2)

STATUS PARTLY IMPLEMENTED. PRNS has implemented additional controls to track the expiration of operating and lease agreements within the department's responsibilities. Most recently, PRNS developed procedures to guide the use of community center facilities for events and programmatic uses. Short-term users and long-term programmatic users must complete a facility use application. According to PRNS staff, PRNS is using the Request For Proposal (RFP) process to select long-term facility operators and this process culminates in an operating agreement for the specific facility. PRNS is currently developing a facility re-use strategy to select community center operators through an RFS (Request For Services) process which will also culminate in an operating agreement for each facility identified in the re-use strategy. The recommendation follow-up has not addressed City facilities leased to other City departments. The upcoming audit of the CBO Financial Reporting and Accountability will further explore this issue for other city departments.

14. Implement a Request for Qualifications process or use City staff to operate the City-owned Jacinto "Tony" Siquig Northside Community Center. (Priority 2)

STATUS IMPLEMENTED. City staff has assumed operation of the JTS Northside Community Center. An RFP seeking a new operator has been released with a deadline of September 25, 2006.

In addition to the initial audit report, the Making Government Work Better Committee (now known as Public Safety, Finance, and Strategic Support Committee) requested the City Auditor's Office to provide status reports on the organization in September, October, and November of 2005. The memos were intended to provide a status update of the organization's financial condition:

- The September memo highlighted the diminishing revenue to Fil-Am SODC.
- The October memo focused on Fil-Am SODC's cash flow situation and projected negative cash balance.
- The final memo issued in November, focused on determining what portion of the \$58,000 General Fund Grant funds would need to be set aside in order to insure that Fil-Am SODC's had sufficient funding for its current payroll and payroll tax expenses.

February 8, 2006: An Audit Of Citywide Grant Oversight (Audit Report 06-01)

Seven City Departments, Offices, and the RDA award and administer over 33 various grant programs amounting to about \$40.5 million per year. These departments and offices are: the Office of Cultural Affairs; Department of Parks, Recreation, and Neighborhood Services; the Environmental Services Department; the Housing Department; the Library Department; the Office of Economic Development; the Department of Transportation; and the Redevelopment Agency (RDA). Each City Department is responsible for the proper execution, accounting, and reporting of the grants. The audit objectives were to 1) identify grants and responsible City Departments; 2) identify the operational threats facing each City Department in administering grants and the controls these City Departments have in place to prevent, eliminate, or minimize these threats; 3) review selected grants to determine existing conditions; 4) evaluate the grants monitoring and reporting process; and 5) research best practices in grant administration.

The audit found that:

- Citywide grant administration needs to be more centralized, coordinated, and consistently applied:
 - Grant agreements contain inconsistent financial reporting requirements;
 - Grant agreements contain inconsistent performance reporting requirements;
 - City staff did not always ensure grantees submitted documentation as required, such as monitoring or progress reports, audited financial statements, or proposed service plans;

- City staff did not always review performance measures or goals, grantee reports, or conduct site visits;
- When city staff found flaws with grantee performance, it did not always follow-up with grantees; and
- Grant agreements contain performance provisions which were not well defined.

The audit recommended that:

1. The City Departments develop a procedures manual to formally document the City's policies and procedures regarding grant oversight. (Priority 3)

STATUS PARTLY IMPLEMENTED. City Administration is working on a draft procedures manual.

2. The Administration Develop a Citywide grant database to provide comprehensive grant information, facilitate better grant awarding decisions and grantee monitoring, and help ensure grantee compliance with grant requirements. (Priority 3)

STATUS PARTLY IMPLEMENTED. The Grant Oversight Working Group is working with the Housing Department to develop a database.

3. The Administration and City Attorney's Office Establish a City Manager's Office Grant Oversight Working Group to:
 - a. Establish Citywide consistent policies and procedures;
 - b. Establish specific training requirements for staff involved in grant management and monitoring;
 - c. Establish criteria when audited financial statements are obtained and reviewed;
 - d. Establish risk-based criteria for determining when more detailed audits, reviews, or monitoring are required; and
 - e. Adopt consistent and reasonable grant agreement requirements related to grantee reporting. (Priority 3)

STATUS IMPLEMENTED. The City Manager's Office established a Grant Oversight Working Group which is comprised of representatives from each department that participated in the audit.

September 18, 2006: Financial Assessment Of The San Jose Repertory Theatre (Audit Memorandum)

October 5, 2006: San Jose Repertory Theatre Short-Term And Long-Term Financial Needs (Audit Memorandum)

The City Auditor's Office reviewed the San José Repertory Theatre's (SJRT) current financial condition and has identified several issues that cast doubt on the SJRT's ability to function as a going concern. The SJRT's current financial situation is strikingly similar to its situation in 2003-04, when the SJRT received more than \$2 million in cash infusions from Board members and contributors but failed to follow through on a financial restructuring plan. The SJRT operates a City facility, receives an annual facility operating grant and has received various arts grants over the past few years.

The memoranda found that:

- The SJRT has spent 77 percent of its century fund endowment and cash reserve funds;
- The SJRT may have misused restricted century fund endowment monies;
- The SJRT has significant long-term and short-term debt which may cause financial instability for the organization;
- More than half of the SJRT's \$485,000 accounts payable are 90 days or more past due;
- The SJRT has established ambitious fundraising goals; and
- The SJRT has limited in-house professional capacity.

The memorandum found that the SJRT needed an additional cash infusion of at least \$1.4 million to address its monthly cash on hand needs during 2006-07 and to provide about \$770,000 for an operating cash reserve for 2007-08. We noted that the SJRT had not prepared a budget or projected cash flows for 2007-08. However, according to the SJRT Interim Managing Director, even if the City loaned the SJRT \$1.4 million in 2006-07, he expected that the SJRT will still require an additional \$200,000 to \$500,000 supplemental cash infusion in 2007-08.

There were no recommendations associated with these memoranda.

October 26, 2006: Financial Assessment Of The American Musical Theatre (Audit Memorandum)

The City Auditor's Office reviewed the American Musical Theatre Of San Jose's (AMTSJ) current financial condition and identified several issues for the City Council's consideration. Specifically, the AMTSJ has several positive financial attributes including a strong financial team; multi-year cash flow projections; limited short-term debt; no past due accounts payable; a new business model; and reasonable and achievable fundraising

goals. In addition, the AMTSJ's cash flow projections show that it will fully repay an estimated \$900,000 City line-of-credit by April 2008. However, there are some issues that may affect the AMTSJ's financial viability. AMTSJ has received various arts, venture, and cultural grants from the City.

The memorandum found that:

- From June 26, 2006 to September 11, 2006, the AMTSJ borrowed \$915,000 from a Cash Reserve and Quasi-Endowment Fund held in trust at the Community Foundation. The AMTSJ does not intend to repay these loans in 2006-07, 2007-08, or 2008-09. As a result the AMTSJ's cash flow will be reduced by about \$45,000 to \$50,000 per year;
- The AMTSJ's audited financial statements indicate past substantial deficit spending and doubts "*about its ability to continue as a going concern*";
- The AMTSJ needs an estimated \$900,000 City line of credit in 2006-07 to continue operations;
- In addition to an estimated \$900,000 City line of credit, the AMTSJ is projecting to use \$2,164,058 in other one-time cash infusions in 2006-07 in order to finish the year with a projected \$84,289 ending cash balance;
- In 2007-08, the AMTSJ must achieve its projected \$3 million reduction in operating expenses in order to avoid an operating cash deficit; and
- The AMTSJ's 2006-07 and 2007-08 cash flow projections are contingent upon its new business model working as expected.

AMTSJ's officials attribute its financial difficulties to several factors including a less than favorable business arrangement with a national production company, a new subscription campaign that did not achieve its target, three shows that did not meet financial expectations, and declining support from major foundations.

The City Auditor's Office determined that AMTSJ needs an estimated \$900,000 city line-of-credit in 2006-07 to continue operations and the AMTSJ is projecting to use \$2,164,058 in other one-time cash infusions in 2006-07 in order to finish the year with a projected \$84,289 ending cash balance.

There are no recommendations associated with this memorandum.

March 28, 2007: A Review Of The Mexican Heritage Corporation's Ability To Operate And Maintain The Mexican Heritage Plaza (Audit Report 07-01)

▪ April 19, 2007: Mexican Heritage Corporation- Supplemental Information (Memorandum)

Our office assessed the Mexican Heritage Corporation's (MHC's) general financial condition and financial capacity, its relationship with Resident Art Partners (RAPs), MHC's management capacity and fund-raising history, cash flow projections, audited financial statements from 2001-02 to 2004-05, current business plan, programming expenditures, operations and maintenance costs, personnel and non-personnel expenses, and outstanding liabilities and assets.

The audit and memorandum found that:

- MHC was facing significant financial challenges;
 - The MHC's cash flow projections show that the MHC lacks sufficient funds to complete its fiscal year which ends June 30, 2007;
 - The MHC's 2006-07 budget is a planning document and not an operating budget in the traditional sense;
 - The MHC owes the City \$500,000; and
 - The MHC has nearly \$236,000 in accounts payable that are over 90 days past due and other liabilities.
- MHC needs to revisit its agreement with the RAPs. We found that MHC's existing financial relationship with its Resident Art Partners (RAPs) limits the MHC's ability to maximize its use of the Mexican Heritage Plaza (MHP). Specifically, MHC charges significantly below market rents and provides prime programming dates to the RAPs. In addition, MHC is overestimating the demand for its theater and charging noncompetitive rates;
- MHC has significant operational and administrative challenges. These challenges include the MHC's:
 - limited in-house professional financial capacity;
 - limited fund-raising ability;
 - relationship with the Neighborhood Development Center; and
 - Failure to comply with terms of its \$650,000 City loan agreement as well as the Mexican Heritage Plaza's inherent physical limitations.
- Absent a strategic, measurable, attainable, realistic, and timely business model or plan, the MHC's ability to operate and maintain the Mexican Heritage Plaza is highly questionable.

The audit recommended that:

1. The San Jose Redevelopment Agency amend its agreement with the MHC and work with the MHC to use State funding for the \$530,000 Heating, Ventilation, And Cooling (HVAC) work at the Mexican Heritage Plaza. (Priority 2)

STATUS IMPLEMENTED. The Redevelopment Agency Board and City Council approved the Amended Restated Cooperation agreement. Per the Agreement the Agency entered into contract and encumbered the total amount of \$545,585, which would be reimbursed by MHC with State grant funds for the HVAC work. The Agency received a check in the amount of \$488,300 from the MHC in June, 2007. In January 2008, the MHC sent the Agency another check for \$56,375. Agency staff will follow-up to determine the status of the remaining \$910.

2. MHC revisit its agreement with the RAPs to maximize its use of the MHP.

STATUS IMPLEMENTED. The City hired two external consultants to conduct an assessment of the MHP's optimal use and the MHC's organizational capacity. The report regarding the highest and the best use of the MHP was present to the Rules Committee in January 2008. As a result of this report, Administration will provide support to establish and interim Membership-Based Advisory Committee, then a Steering Committee comprised of key external constituents that will, with the help of an Independent Convening Institution, develop a sustainable business plan for the operations, programming and funding of the MHP. The MHC will no longer run the MHP but will become a RAP itself. Furthermore, the General Services Department (GSD) will take over programming and maintenance of the MHP. According to the Director of the GSD, staff anticipates having new RAP agreements in place by July 1, 2008.

3. The City Administration revisit its agreement with MHC and review whether it should revise or cancel its agreement regarding the Neighborhood Development Center's (NDC) use of space at the MHC's facility. (Priority 2)

STATUS IMPLEMENTED. On March 18, 2008, the City Council authorized various actions related to transitioning the MHC into a new role as a RAP while it stabilizes its financial situation. According to the Deputy Director at the Office of Economic Development (OED), the NDC is not currently using space at the MHP and the new loan amendment will not include the NDC.

4. The City Administration monitor and ensure compliance with the terms of the \$650,000 loan agreement. (Priority 2)

STATUS IMPLEMENTED. On March 18, 2008 the City Council authorized the City Manager to negotiate and execute an amendment to the loan agreement and promissory note with the MHC in order to incorporate a challenge grant to give the MHC an opportunity to reduce the \$500,000

balance owed on its loan with the City. The challenge grant reduced the loan balance by two dollars for each dollar raised by the MHC between April 1 and December 1, 2008 and subsequently by one dollar for each dollar raised thereafter. The MHC successfully satisfied its fundraising obligation and raised donations totaling \$250,982. The City confirmed that the donations conformed to the requirements of the Loan Agreement and forgave the remainder of the loan on August 18, 2008. Since the original \$650,000 loan balance is now \$0, we consider this recommendation implemented.

5. The City Council consider the following options regarding the MHC and operation and maintenance of the MHP. These options include but are not limited to the City:
 - a. Providing the MHC with its requested subsidy and financial support;
 - b. Providing one-time financial relief to the MHC to allow it time to develop a strategic plan or business model for City review and approval;
 - c. Assuming responsibility for the operation and maintenance of the MHP while allowing the MHC to remain at the MHP as a tenant; and
 - d. Hiring a consultant to do an in-depth organizational and structural assessment of the MHP and report back to the City Council with recommendations regarding the highest and best use of the facility.
(Priority 2)

STATUS IMPLEMENTED. The City hired two consultants to do an in-depth organizational and structural assessment of the MHP. The consultant report was presented to the Rules Committee in January 2008. In March 2008, Council approved City Manager recommended actions for the City to take over the maintenance, utilities, and facility leasing event services at the MHP. Furthermore, the MHC will transition to being a RAP. Finally, the City will also provide the MHC with transitional funding to help it stabilize its financial condition.

APPENDIX C
LIST OF GRANTEES RECEIVING CITY GRANTS
(PROVIDED BY THE CITY MANAGER'S OFFICE)

(Revised)

GRANTEE	FUNDS AWARDED FY 2007-2008	SOURCE OF FUNDS (CDBG, WIA, HNVF, GF, TOT, BEST, ESG, HTF, IWM Fund, HOPWA, SPNS ¹)	GRANT PROGRAM CATEGORY
13th Street Neighborhood Advisory	\$100		Arena Community Fund [D3]
13th Street Neighborhood Advisory for Joyce Ellington Library	\$500		Arena Community Fund [D3]
2008 Community Resource Fair	\$1,000		Arena Community Fund [D4]
2008 Community Resource Fair	\$1,000		Arena Community Fund [D7]
2008 Community Resource Fair	\$1,000		Arena Community Fund [D10]
2008 Community Resource Fair	\$400		Arena Community Fund [D6]
A Gifted Education, Inc. (Sites 1)	\$10,000	HNVF	Homework Centers
Abhinaya Dance Company of San Jose	\$31,745	TOT	Operating Grants
Abhinaya Dance Company of San Jose	\$7,000	TOT	Organization Development Grants: Technical Assistance
Across the Bridge for DCP	\$1,000		Arena Community Fund [D5]
ACUDIR Neighborhood Association	\$500		Arena Community Fund [D1]
Adopt-A-College Program	\$1,000		Arena Community Fund [D2]
African American Community Services Agency	\$25,000	HNVF	PRNS
African American Community Services Agency	\$500		Arena Community Fund [D3]
African Community Health Institute	\$500		Arena Community Fund [D4]
Afsaneh Art and Culture	\$6,000	TOT	Project & Program Grants
After School All-Stars (Sites 2)	\$24,375	HNVF	Homework Centers
Aiuto Foundation	\$2,000		Arena Community Fund [D8]
Almaden Senior Advisory Council	\$295		Arena Community Fund [D10]
Almaden Valley Art & Wine Festival	\$5,000	TOT Revenues & Rebudget; Gift Trust, Gate Fees; GF (Citywide)	Festival, Parade and Celebration Grants
Almaden Valley Counseling	\$2,500		Arena Community Fund [D10]
Almaden Valley Women's Club	\$5,000		Arena Community Fund [D10]
Alum Rock Counseling Center, Inc.	\$25,000	HNVF	PRNS
Alum Rock Jazz	\$1,000		Arena Community Fund [D5]
Alum Rock Unified School District	\$410,286	State	*ASES Program (State of CA)
Alum Rock Union School District (Sites 21)	\$169,383	HNVF	Homework Centers
American Cancer Society	\$1,000		Arena Community Fund [D6]
American Diabetes Association	\$250		Arena Community Fund [D3]
American Heart Association	\$500		Arena Community Fund [D5]
American Heart Association	\$500		Arena Community Fund [D5]
American Musical Theatre of San Jose	\$232,115	TOT	Operating Grants
Andrew Hill High School - Susan Alves Memorial	\$500		Arena Community Fund [D7]
Anew America	\$192,000	CDBG	Chambers of Commerce (OED)
Arab Film Festival	\$11,970	TOT	Project & Program Grants
ARCC CIPY and Truancy	\$219,666	BEST	PRNS
Arts Council Silicon Valley (Music & Arts fund-raising assistance)	\$5,000	GF	Special Grants
Arts Council Silicon Valley for American Musical Theatre, San Jose Museum of Quilts & Textiles, San Jose Repertory Theatre, South Bay Guitar Society, Vivace Youth Chorus San Jose	\$4,500	TOT	Organization Development Grants: Professional Development

¹ Community Development Block Grant (CDBG), Workforce Investment Act (WIA), Healthy Neighborhoods Venture Fund (HNVF), General Fund (GF), Transient Occupancy Tax (TOT), Bringing Everyone's Strengths Together (B.E.S.T), Emergency Shelter Grant (ESG), Housing Trust Fund (HTF), Integrated Waste Management Fund (IWM), Housing Opportunities for People with AIDS (HOPWA) and Special Projects of National Significance (SPNS).

GRANTEE	FUNDS AWARDED FY 2007-2008	SOURCE OF FUNDS (CDBG, WIA, HNVF, GF, TOT, BEST, ESG, HTF, IWM Fund, HOPWA, SPNS ¹)	GRANT PROGRAM CATEGORY
Asian American Recovery Services, Inc.	\$50,000	BEST	PRNS
Asian American Recovery Services, Inc.	\$250		Arena Community Fund [D3]
Asian American Women's Alliance	\$500		Arena Community Fund [D4]
Asian Americans for Community Involvement	\$500		Arena Community Fund [D4]
Asian Americans for Community Involvement	\$500		Arena Community Fund [D4]
Asian Americans for Community Involvement	\$12,718	ESG	Homeless Services Grants
Asian Americans for Community Involvement	\$500		Arena Community Fund [D3]
Asian Americans for Community Involvement	\$500		Arena Community Fund [D7]
Asian Americans for Community Involvement	\$500		Arena Community Fund [D3]
Asian Americans for Community Involvement	\$29,775	HNVF	PRNS
Asian Law Alliance	\$443,395	CDBG	Legal Services Grants
Asian Law Alliance	\$250		Arena Community Fund [D3]
Assistance League of San Jose	\$250		Arena Community Fund [D3]
Assistance League of San Jose	\$1,000		Arena Community Fund [D7]
Assistance League of San Jose	\$1,000		Arena Community Fund [D9]
Assistance League of San Jose	\$1,000		Arena Community Fund [D10]
Association for Viet Arts	\$13,500	TOT	Project & Program Grants
Association of Former Vietnamese Political Prisoners	\$1,000		Arena Community Fund [D8]
Association of Kings Hung Temple	\$500		Arena Community Fund [D7]
Baldwin	\$1,400	IWM Fund	SJ Go Green Mini-grants (SJ schools or their 501c3 organizations)
Ballet San Jose (China tour)	\$50,000	TOT	Special Grants
Ballet San Jose Silicon Valley	\$208,014	TOT	Operating Grants
Ballet San Jose Silicon Valley	\$5,000	TOT	Organization Development Grants: Technical Assistance
Ban Dai Dien Cong Dong Bac California	\$250		Arena Community Fund [D3]
Bark in the Park	\$14,000	TOT Revenues & Rebudget; Gift Trust, Gate Fees; GF	Festival, Parade and Celebration Grants
Bay Area Glass Institute	\$18,000	TOT	Project & Program Grants
Bay Area Glass Institute	\$1,500	TOT	Organization Development Grants: Professional Development
Bay Area Glass Institute (San Jose Glass Artist Alliance)	\$4,000	TOT	Mini-grants (Projects)
Bay Area Legal Aid	\$34,234	HNVF	PRNS
Bay Area Women's Sports Initiative (BAWSI)	\$2,000		Arena Community Fund [D7]
Bay Area Women's Sports Initiative (BAWSI)	\$1,000		Arena Community Fund [D9]
Bay Area Women's Sports Initiative (BAWSI)	\$1,000		Arena Community Fund [D3]
Bay Friendly Gardening & Landscaping	\$25,000	IWM Fund	Public Composting Education
Bellarmine College Preparatory	\$250		Arena Community Fund [D3]
Berryessa Little League	\$500		Arena Community Fund [D4]
Berryessa Music Booster for Berryessa Art & Wine Festival	\$2,500		Arena Community Fund [D4]
Berryessa Music Boosters Inc	\$2,500		Arena Community Fund [D4]
Berryessa Union District for Cherrywood Elementary School	\$500		Arena Community Fund [D4]
Berryessa Union School District	\$105,075	State	*ASES Program (State of CA)
Berryessa Union School District (Sites 13)	\$180,375	HNVF	Homework Centers
Big Brothers Big Sisters Of The Bay Area	\$25,000	HNVF	PRNS
Bill Wilson Center	\$72,450	BEST	PRNS
Bill Wilson Center	\$49,342	HNVF	PRNS
Bill Wilson Center	\$34,712	CDBG	Homeless Services Grants
Bill Wilson Center	\$26,250	HNVF	PRNS
Bill Wilson Center	\$20,691	ESG	Homeless Services Grants

GRANTEE	FUNDS AWARDED FY 2007-2008	SOURCE OF FUNDS (CDBG, WIA, HNVF, GF, TOT, BEST, ESG, HTF, IWM Fund, HOPWA, SPNS ¹)	GRANT PROGRAM CATEGORY
Bill Wilson Center	\$7,000	ESG	Homeless Services Grants
Bill Wilson Center	\$500		Arena Community Fund [D3]
Billy De Frank LGBT Community Center	\$1,000		Arena Community Fund [D9]
Billy De Frank LGBT Community Center	\$1,000		Arena Community Fund [D6]
Billy De Frank LGBT Community Center	\$46,385	HNVF	PRNS
Black Chamber of Commerce of Silicon Valley	\$96,503	CDBG	Micro-Enterprise Assistance Grants
Black Chamber of Commerce of Silicon Valley	\$75,000	CDBG	Chambers of Commerce (OED)
Black Chamber of Commerce of Silicon Valley	\$41,444	GF	Chambers of Commerce (OED)
Blackford NAC	\$500		Arena Community Fund [D1]
Books Aloud	\$40,197	GF	Library CBO
Books for Treats	\$300		Arena Community Fund [D6]
Booksin	\$1,000	IWM Fund	SJ Go Green Mini-grants (SJ schools or their 501c3 organizations)
Boys & Girls Clubs of Silicon Valley	\$24,361	GF	PRNS
Boys & Girls Clubs of Silicon Valley	\$500		Arena Community Fund [D4]
Boys & Girls Clubs of Silicon Valley	\$37,500	HNVF	PRNS
Boys & Girls Clubs of Silicon Valley	\$34,297	HNVF	PRNS
Boys & Girls Clubs of Silicon Valley (Sites 4)	\$37,318	HNVF	Homework Centers
Branham	\$2,700	IWM Fund	SJ Go Green Mini-grants (SJ schools or their 501c3 organizations)
Breakout Prison Outreach	\$75,790	GF	Homework Centers
Breathe California	\$250		Arena Community Fund [D3]
Breathe California Of The Bay Area	\$87,760	HNVF	PRNS
Bret Harte Middle School for American Assistance for Cambodia	\$2,500		Arena Community Fund [D10]
Brooktree	\$784	IWM Fund	SJ Go Green Mini-grants (SJ schools or their 501c3 organizations)
California Community Partners for Youth	\$98,022	CDBG	Youth Services Grants
California Nevada District Exchange Club Charitable Foundation	\$500		Arena Community Fund [D1]
Californians for Justice	\$500		Arena Community Fund [D4]
Cambrian Park United Methodist for the Boy Scout Troop 373	\$500		Arena Community Fund [D9]
Cambrian School District - Ida Price Middle School	\$4,000		Arena Community Fund [D9]
Cambrian School District (Sites 5)	\$68,003	HNVF	Homework Centers
Camden Community Center	\$1,000		Arena Community Fund [D9]
Campbell Union Elementary School District (Sites 7)	\$62,900	HNVF	Homework Centers
Campbell Union High School District - Spring Music Festival	\$4,000		Arena Community Fund [D9]
Campbell Union High School District (5 Sites)	\$43,490	HNVF	Homework Centers
Carlton (PTA Carlton Home & School Club)	\$2,300	IWM Fund	SJ Go Green Mini-grants (SJ schools or their 501c3 organizations)
Carlton Elementary Home and School	\$250		Arena Community Fund [D9]
Catalyst for Youth	\$2,180	TOT	Organization Development Grants: Technical Assistance
Catalyst for Youth	\$4,000	TOT	Mini-grants (Projects)
Catholic Charities	\$284,760	BEST	PRNS
Catholic Charities Of San Jose	\$103,101	HNVF	PRNS
Catholic Charities Of San Jose	\$54,100	HNVF	PRNS
Catholic Charities Of San Jose (Eastside Senior Center)	\$85,685	GF	Homework Centers
Catholic Charities Of San Jose (Washington Youth Center)	\$435,500	GF	Homework Centers
Catholic Charities of Santa Clara County	\$65,770	CDBG	Affordable Housing Search Grants
Catholic Charities of Santa Clara County	\$55,341	CDBG	Senior Services Grants
Catholic Charities of Santa Clara County	\$27,313	CDBG	Senior Services Grants
CCPY	\$58,600	BEST	PRNS
Center for Employment Training	\$1,000		Arena Community Fund [D5]

GRANTEE	FUNDS AWARDED FY 2007-2008	SOURCE OF FUNDS (CDBG, WIA, HNVF, GF, TOT, BEST, ESG, HTF, IWM Fund, HOPWA, SPNS')	GRANT PROGRAM CATEGORY
Center for Employment Training	\$1,000		Arena Community Fund [D5]
Center for Employment Training	\$500		Arena Community Fund [D3]
Center for Employment Training	\$100		Arena Community Fund [D10]
Center for Employment Training	\$1,000		Arena Community Fund [D2]
Center for Literary Arts, SJSU	\$18,000	TOT	Project & Program Grants
Center For Training (Previously Eastridge)	\$80,902	GF	Homework Centers
Center For Training (Youth Employment)	\$19,148	GF	Homework Centers
Center for Training and Careers	\$288,000	WIA	WIA Grants
Center for Training and Careers	\$63,000	BEST	PRNS
Center for Training and Careers	\$30,000	Storm Sewer Operating Fund	Household Hazardous Waste Public Outreach
Center for Training and Careers	\$10,000	IWM Fund	Household Hazardous Waste Public Outreach
Chavez Family Vision	\$1,000		Arena Community Fund [D5]
Children's Musical Theater San Jose	\$58,576	HNVF	PRNS
Children's Musical Theater San Jose	\$7,000	TOT	Organization Development Grants: Technical Assistance
Children's Musical Theatre Temporary Relocation	\$33,000	GF	Special Grants
Chinese Performing Artists	\$4,500	TOT	Organization Development Grants: Technical Assistance
Chinese Performing Artists of America	\$46,923	TOT	Operating Grants
Chinese Seniors United Association of Northern California	\$500		Arena Community Fund [D4]
Choices for Children	\$500		Arena Community Fund [D4]
Christmas in the Park	\$35,000	TOT Revenues & Rebudget; Gift Trust, Gate Fees; GF	Festival, Parade and Celebration Grants
Cinema San Pedro	\$4,000	TOT Revenues & Rebudget; Gift Trust, Gate Fees; GF	Festival, Parade and Celebration Grants
Cinema St. James	\$5,000	TOT Revenues & Rebudget; Gift Trust, Gate Fees; GF	Festival, Parade and Celebration Grants
Cinequest San Jose Film Festival	\$50,000	GF	Destination Event Marketing Grants
Cinequest San Jose Film Festival	\$34,000	TOT Revenues & Rebudget; Gift Trust, Gate Fees; GF	Festival, Parade and Celebration Grants
Cinequest San Jose Film Festival	\$74,135	TOT	Operating Grants
Citizens Against Airport Pollution	\$500		Arena Community Fund [D6]
City Lights Performance Group of San Jose	\$31,310	TOT	Operating Grants
City Lights Theater	\$7,000	TOT	Organization Development Grants: Technical Assistance
City Team	\$200		Arena Community Fund [D3]
City Team Ministries	\$21,549	HTF	Homeless Services Grants
City Team Ministries	\$10,249	ESG	Homeless Services Grants
City Team Ministries	\$500		Arena Community Fund [D4]
City Year San Jose / Silicon Valley	\$5,000		Arena Community Fund [D5]
City Year San Jose / Silicon Valley	\$2,500		Arena Community Fund [D5]
City Year San Jose / Silicon Valley	\$200		Arena Community Fund [D6]
City Year San Jose / Silicon Valley	\$500		Arena Community Fund [D2]
City Year San Jose / Silicon Valley	\$1,000		Arena Community Fund [D8]
City Year San Jose / Silicon Valley	\$26,250	HNVF	PRNS
Commission On the Status of Women	\$500		Arena Community Fund [D6]
Commission On The Status Of Women	\$500		Arena Community Fund [D5]

GRANTEE	FUNDS AWARDED FY 2007-2008	SOURCE OF FUNDS (CDBG, WIA, HNVF, GF, TOT, BEST, ESG, HTF, IWM Fund, HOPWA, SPNS')	GRANT PROGRAM CATEGORY
Committee for Green Foothills	\$500		Arena Community Fund [D2]
Community Partners For Youth, Inc.	\$81,566	HNVF	PRNS
Community Partners For Youth, Inc.	\$25,000	HNVF	PRNS
Community Resource Fair	\$2,500		Arena Community Fund [D1]
Community Resource Fair	\$1,000		Arena Community Fund [D5]
Community Resource Fair	\$1,000		Arena Community Fund [D9]
Community Resource Fair	\$500		Arena Community Fund [D3]
Community Technology Alliance	\$50,000	HTF	Homeless Services Grants
Community Technology Alliance	\$50,000	HTF	Homeless Services Grants
Community Technology Alliance	\$25,000	CDBG	Homeless Services Grants
Community Technology Alliance	\$24,140	ESG	Homeless Services Grants
CommUniversity	\$500		Arena Community Fund [D3]
CommUniversity	\$300		Arena Community Fund [D3]
Conservation Corp	\$500		Arena Community Fund [D4]
Contemporary Asian Theater Scene	\$16,200	TOT	Project & Program Grants
County of Santa Clara Institute for Non-Violence/LULAC	\$2,500		Arena Community Fund [D8]
Crime Stoppers	\$1,000		Arena Community Fund [D7]
Cross Cultural Community Services	\$63,000	BEST	PRNS
Cross Cultural Community Services Center (CCSC)	\$37,500	HNVF	PRNS
Cross Cultural Community Services Center (CCSC)	\$25,000	HNVF	PRNS
Cross Cultural Community Services Center (Sites 9)	\$93,490	HNVF	Homework Centers
Cupertino Community Services	\$18,581	ESG	Homeless Services Grants
Cupertino Union School District (Sites 5)	\$40,052	HNVF	Homework Centers
CYO (BEST)	\$432,242	BEST	PRNS
Cypress String Quartet	\$10,000	GF	Special Grants
Dancin' Downtown	\$6,000	TOT Revenues & Rebudget; Gift Trust, Gate Fees; GF	Festival, Parade and Celebration Grants
Dancin' on the Avenue	\$7,000	TOT Revenues & Rebudget; Gift Trust, Gate Fees; GF	Festival, Parade and Celebration Grants
Dancing Sun Foundation	\$4,000	TOT	Mini-grants (Projects)
Deaf Counseling, Advocacy and Referral Agency	\$27,588	CDBG	Disabled Services Grants
Delmas Park Neighborhood Association NAC	\$120		Arena Community Fund [D3]
Department Of Parks, Recreation & Neighborhood Services	\$662,883	HNVF	PRNS
Dia de Portugal	\$4,000	TOT Revenues & Rebudget; Gift Trust, Gate Fees; GF	Festival, Parade and Celebration Grants
Diabetes Society Of Santa Clara Valley	\$25,000	HNVF	PRNS
Digital Clubhouse - Stories of the fallen	\$250		Arena Community Fund [D3]
Dimension Performing Arts, Inc.	\$16,520	TOT	Operating Grants
Discovery Charter	\$800	IWM Fund	SJ Go Green Mini-grants (SJ schools or their 501c3 organizations)
Discovery Charter School Board	\$1,000		Arena Community Fund [D1]
District 1 Leadership Group	\$250		Arena Community Fund [D1]
District 5 YAC	\$500		Arena Community Fund [D5]
Don Edwards SF Bay Wildlife Refuge	\$29,289	Treatment Plant Operating Fund	Education Program
Don Edwards SF Bay Wildlife Refuge	\$29,289	Treatment Plant Operating Fund	Workshop Sponsorship
Don Edwards SF Bay Wildlife Refuge	\$29,289	Treatment Plant Operating Fund	Youth Watershed Education Grants

GRANTEE	FUNDS AWARDED FY 2007-2008	SOURCE OF FUNDS (CDBG, WIA, HNVF, GF, TOT, BEST, ESG, HTF, IWM Fund, HOPWA, SPNS')	GRANT PROGRAM CATEGORY
Downtown College Prep. School (Sites 1)	\$14,500	HNVF	Homework Centers
Downtown Ice	\$29,000	TOT Revenues & Rebudget; Gift Trust, Gate Fees; GF	Festival, Parade and Celebration Grants
East Bay Leadership Foundation	\$1,500		Arena Community Fund [D1]
East Side Union High School District (Eunice Kennedy)	\$500		Arena Community Fund [D5]
East Side Union High School District (Sites 10)	\$112,075	HNVF	Homework Centers
East Side Union High School for Yerba Buena High School	\$300		Arena Community Fund [D7]
East Valley YMCA	\$54,450	GF	PRNS
Eastfield Ming Quong	\$77,000	BEST	PRNS
Eden Housing, Inc. (Sites 2)	\$20,300	HNVF	Homework Centers
Eden Neighborhood Association	\$182		Arena Community Fund [D1]
EHC Lifebuilders Truancy	\$19,375	BEST	PRNS
El Festival Floricanto Ketzalcoat	\$4,229	TOT Revenues & Rebudget; Gift Trust, Gate Fees; GF	Festival, Parade and Celebration Grants
Emergency Housing Consortium	\$239,012	HTF	Homeless Services Grants
Emergency Housing Consortium	\$66,210	ESG	Homeless Services Grants
Emergency Housing Consortium	\$50,149	CDBG	Homeless Services Grants
Emergency Housing Consortium	\$23,634	HTF	Homeless Services Grants
Emergency Housing Consortium	\$12,000	HTF	Homeless Services Grants
Emergency Housing Consortium	\$37,500	HNVF	PRNS
Emergency Housing Consortium	\$25,000	HNVF	PRNS
Emergency Housing Consortium Fireworks	\$24,159	GF	Special Grants
Estrella Family Services	\$25,000	HNVF	PRNS
Eta Rho Omega Community Foundation	\$250		Arena Community Fund [D2]
Ethiopian Community Services, Inc.	\$30,290	CDBG	Immigrant Services Grants
Ethiopian Community Services, Inc.	\$37,144	HNVF	PRNS
Ethiopian Community Services, Inc.	\$25,000	HNVF	PRNS
Ethiopian Community Services, Inc. (Sites 1)	\$11,652	HNVF	Homework Centers
Evergreen School District (Sites 10)	\$74,115	HNVF	Homework Centers
Evergreen Valley	\$2,500	IWM Fund	SJ Go Green Mini-grants (SJ schools or their 501c3 organizations)
EVHS/ABC Boosters/Baseball Program	\$500		Arena Community Fund [D8]
Family and Children Services	\$79,674	BEST	PRNS
Family Supportive Housing	\$60,000	HTF	Homeless Services Grants
Family Supportive Housing	\$46,865	ESG	Homeless Services Grants
Family Supportive Housing	\$28,889	CDBG	Homeless Services Grants
Family Supportive Housing, Inc. (Sites 1)	\$10,000	HNVF	Homework Centers
Fantasia Performing Arts Center	\$500		Arena Community Fund [D4]
Far East Dragon Lion Dance Association	\$800		Arena Community Fund [D7]
Far East Dragon Lion Dance Association	\$500		Arena Community Fund [D4]
Far West Wheelchair Sports	\$1,400		Arena Community Fund [D3]
Federation of Young Vietnamese Volunteers	\$500		Arena Community Fund [D7]
Festival for Independence	\$44,000	TOT Revenues & Rebudget; Gift Trust, Gate Fees; GF	Festival, Parade and Celebration Grants
Festival on the Alameda	\$2,000	TOT Revenues & Rebudget; Gift Trust, Gate Fees; GF	Festival, Parade and Celebration Grants

GRANTEE	FUNDS AWARDED FY 2007-2008	SOURCE OF FUNDS (CDBG, WIA, HNVF, GF, TOT, BEST, ESG, HTF, IWM Fund, HOPWA, SPNS ¹)	GRANT PROGRAM CATEGORY
Fiesta de Las Rosas Parade	\$1,350	TOT Revenues & Rebudget; Gift Trust, Gate Fees; GF	Festival, Parade and Celebration Grants
Filipino American Chamber of Commerce of Silicon Valley	\$30,912	GF	Chambers of Commerce (OED)
Filipino Youth Coalition	\$1,000		Arena Community Fund [D8]
Filipino Youth Coalition	\$95,000	BEST	PRNS
Firebird Youth Chinese Orchestra	\$24,163	TOT	Operating Grants
Firehouse	\$123,072	BEST	PRNS
Flamenco Society of San Jose	\$3,750	TOT	Mini-grants (Projects)
Foothill High / Center for Training & Careers (CTC)	\$1,000	IWM Fund	SJ Go Green Mini-grants (SJ schools or their 501c3 organizations)
Founder's Day	\$6,000	TOT Revenues & Rebudget; Gift Trust, Gate Fees; GF	Festival, Parade and Celebration Grants
Foundry	\$50,000	BEST	PRNS
Franklin-McKinley School District (Sites 7)	\$65,839	HNVF	Homework Centers
Fremont Union High School District (Sites 1)	\$12,118	HNVF	Homework Centers
Fremont Union High School Foundation	\$250		Arena Community Fund [D1]
Fresh Lifelines for Youth	\$145,000	BEST	PRNS
Fresh Lifelines for Youth	\$38,701	CDBG	Youth Services Grants
Fresh Lifelines for Youth	\$33,565	CDBG	Youth Services Grants
Fresh Lifelines Of Youth, Inc. ("F.L.Y.")	\$26,250	HNVF	PRNS
Fresh Lifelines Of Youth, Inc. ("F.L.Y.")	\$26,250	HNVF	PRNS
Friends of Guadalupe River Park & Garden	\$2,171	IWM Fund	SJ Go Green Mini-grants (SJ schools or their 501c3 organizations)
Friends of Hue	\$500		Arena Community Fund [D4]
Friends of the San Jose Rose Garden	\$1,000		Arena Community Fund [D6]
Friends Outside in Santa Clara County	\$102,775	BEST	PRNS
Friends Outside In Santa Clara County	\$37,500	HNVF	PRNS
Generations Community Wellness Centers	\$25,000	HNVF	PRNS
George Mayne	\$96,400	BEST	PRNS
Girl Scouts	\$37,613	BEST	PRNS
Girl Scouts	\$250		Arena Community Fund [D10]
Girls for a Change	\$2,000		Arena Community Fund [D9]
Goodwill	\$356,176	GF	Non-Profit Recyclers
Goodwill Industries Of Santa Clara County	\$55,251	HNVF	PRNS
Greater San Jose After-School All-Stars	\$89,482	HNVF	PRNS
Greater San Jose All-Stars	\$58,624	GF	Homework Centers
Guadalupe Parks & Gardens	\$60,641	GF	Homework Centers
Guitar Festival	\$4,500	TOT Revenues & Rebudget; Gift Trust, Gate Fees; GF	Festival, Parade and Celebration Grants
Habib Khan Saraswati Temple and Gurukul	\$8,925	TOT	Project & Program Grants
HACE	\$1,000		Arena Community Fund [D5]
Hacienda Environmental Science Magnet (HIPS)	\$2,500	IWM Fund	SJ Go Green Mini-grants (SJ schools or their 501c3 organizations)
Hacienda School	\$4,900	Treatment Plant Operating Fund	Youth Watershed Education Grants
Hispanic Chamber of Commerce	\$95,000	CDBG	Chambers of Commerce (OED)
Hispanic Chamber of Commerce	\$77,579	GF	Chambers of Commerce (OED)
Hispanic Development Corporation	\$500		Arena Community Fund [D5]
Hispanic Foundation of Silicon Valley	\$500		Arena Community Fund [D3]

GRANTEE	FUNDS AWARDED FY 2007-2008	SOURCE OF FUNDS (CDBG, WIA, HNVF, GF, TOT, BEST, ESG, HTF, IWM Fund, HOPWA, SPNS')	GRANT PROGRAM CATEGORY
History San Jose	\$1,800		Arena Community Fund [D7]
History San Jose	\$500		Arena Community Fund [D2]
Hoffman Via Monte	\$300		Arena Community Fund [D10]
Hoi Thanh Cong Dong Viet Nam (Sites 1)	\$10,000	HNVF	Homework Centers
Homeless Care Force	\$56,122	HTF	Homeless Services Grants
Homeless Care Force	\$5,291	ESG	Homeless Services Grants
HOPE Services	\$6,201	GF	Non-Profit Recyclers
Horace Mann Foundation	\$250		Arena Community Fund [D3]
Horace Mann School Foundation	\$3,900	IWM Fund	SJ Go Green Mini-grants (SJ schools or their 501c3 organizations)
Housing Authority of Santa Clara County (Sites 7)	\$54,530	HNVF	Homework Centers
Housing Authority of the County of Santa Clara	\$59,337	HTF	Homeless Services Grants
Housing Authority Of The County Of Santa Clara	\$25,000	HNVF	PRNS
Housing Trust of Santa Clara County	\$250		Arena Community Fund [D3]
Housing Trust of Santa Clara County	\$250		Arena Community Fund [D10]
In Kind Support: 1,637 paper boxes	\$1,817	IWM Fund	Recycling containers
In Kind Support: Recycling and garbage containers	\$10,000		Venues
In Kind Support: Reusable clearstream containers	\$9,999	IWM Fund	Recycling containers
In Kind Support: Reusable flags and banners	\$10,000	IWM Fund	Recycling containers
In Kind Support: 343 Slim Jims	\$33,545	IWM Fund	Recycling containers
In Kind Support: Clearstream bags	\$9,972	IWM Fund	Recycling containers
In Kind Support: Compostable foodware	\$25,000	IWM Fund	Recycling containers
In Kind Support: Compostable foodware	\$4,111		Venues
Independence High School 76th Calvary Band	\$500		Arena Community Fund [D5]
Independence High School. 76th Calvary Band	\$250		Arena Community Fund [D2]
Independence High School. 76th Calvary Boosters	\$1,000		Arena Community Fund [D4]
Indian Health Center of Santa Clara Valley	\$250		Arena Community Fund [D4]
Indian Health Center of Santa Clara Valley	\$4,000	TOT	Mini-grants (Projects)
Indian Health Center of Santa Clara Valley	\$500		Arena Community Fund [D7]
Indian Health Center Of Santa Clara Valley	\$49,997	HNVF	PRNS
Indian Health Center Of Santa Clara Valley	\$37,006	HNVF	PRNS
Indian Health Center of Santa Clara Valley	\$1,000		Arena Community Fund [D5]
Indian Health Center of Santa Clara Valley	\$500		Arena Community Fund [D5]
Indian Health Center of Santa Clara Valley	\$250		Arena Community Fund [D3]
InnVision the Way Home	\$178,507	HTF	Homeless Services Grants
InnVision the Way Home	\$50,000	CDBG	Homeless Services Grants
InnVision the Way Home	\$40,786	CDBG	Homeless Services Grants
InnVision the Way Home	\$36,954	ESG	Homeless Services Grants
InnVision the Way Home	\$36,209	ESG	Homeless Services Grants
InnVision the Way Home	\$29,506	CDBG	Homeless Services Grants
InnVision the Way Home	\$25,000	CDBG	Homeless Services Grants
InnVision the Way Home	\$23,808	ESG	Homeless Services Grants
Institute for Business Performance	\$3,193,629	WIA	WIA Grants
Institute for Business Performance	\$515,248	WIA	WIA Grants
International Children Assistance Network (ICAN)	\$37,500	HNVF	PRNS
International Multi-Arts Festival	\$6,500	TOT Revenues & Rebudget; Gift Trust, Gate Fees; GF	Festival, Parade and Celebration Grants
International Russian Music Piano Competition	\$18,000	TOT	Project & Program Grants
Iola Williams Senior Program	\$300		Arena Community Fund [D7]
Italian American Heritage Festival	\$9,500	TOT Revenues & Rebudget; Gift	Festival, Parade and Celebration Grants

GRANTEE	FUNDS AWARDED FY 2007-2008	SOURCE OF FUNDS (CDBG WIA, HNVF, GF, TOT, BEST, ESG, HTF, IWM Fund, HOPWA, SPNS')	GRANT PROGRAM CATEGORY
		Trust, Gate Fees; GF	
James Lick High School	\$1,400	IWM Fund	SJ Go Green Mini-grants (SJ schools or their 501c3 organizations)
Japanese American Chamber of Commerce of Silicon Valley	\$30,912	GF	Chambers of Commerce (OED)
Jewish Family Services Of Silicon Valley	\$31,929	HNVF	PRNS
Joint Venture Silicon Valley	\$38,560	GF	Chambers of Commerce (OED)
Joyce Ellington Gift Trust	\$500		Arena Community Fund [D3]
Juneteenth Festival	\$2,000	TOT Revenues & Rebudget; Gift Trust, Gate Fees; GF	Festival, Parade and Celebration Grants
Junior Achievement Of Silicon Valley And Monterey Bay, Inc.	\$36,960	HNVF	PRNS
Kaisahan of San Jose Dance Company	\$25,911	TOT	Operating Grants
Katherine Hughes School	\$1,165	Treatment Plant Operating Fund	Youth Watershed Education Grants
Korean American Community Services	\$9,060	GF	PRNS
La Comparsa for Dia de los Muertos	\$4,000	TOT Revenues & Rebudget; Gift Trust, Gate Fees; GF	Festival, Parade and Celebration Grants
Lanai Cunningham Neighborhood Association	\$500		Arena Community Fund [D7]
Laneview	\$2,700	IWM Fund	SJ Go Green Mini-grants (SJ schools or their 501c3 organizations)
Latinas Contra Cancer	\$500		Arena Community Fund [D8]
Latinas Contra el Cancer	\$1,000		Arena Community Fund [D5]
Law Foundation of Silicon Valley	\$7,000	HTF	Homeless Services Grants
Law Foundation of Silicon Valley Mental Health Advocacy Project	\$25,000	CDBG	Disabled Services Grants
LEAD	\$200		Arena Community Fund [D3]
Leading Entrepreneurs and Architects of Dreams	\$500		Arena Community Fund [D7]
League Of Women Voters - SJ/SC	\$1,000		Arena Community Fund [D9]
Lee Mathson	\$1,000	IWM Fund	SJ Go Green Mini-grants (SJ schools or their 501c3 organizations)
Legal Aid Society of Santa Clara County	\$112,863	CDBG	Legal Services Grants
Legal Aid Society of Santa Clara County	\$101,394	CDBG	Fair Housing Grants
Leland Bridge of Leland High School	\$1,000		Arena Community Fund [D10]
Lenders for Community Development	\$204,000	CDBG	Micro-Enterprise Assistance Grants
Lincoln Glen Little League	\$500		Arena Community Fund [D6]
Lincoln High School for Lincoln Performing Arts	\$300		Arena Community Fund [D6]
Lincoln High School Foundation	\$1,000		Arena Community Fund [D6]
Live Oak Adult Day Services	\$29,605	HNVF	PRNS
Live Oak Adult Day Services	\$28,971	CDBG	Senior Services Grants
Live the Dream Foundation of Silicon Valley	\$150		Arena Community Fund [D3]
Loaves and Fishes Family Kitchen	\$33,000	HTF	Food Program Grants
Loaves and Fishes Kitchen	\$500		Arena Community Fund [D9]
Lola Williams Advisory	\$850		Arena Community Fund [D7]
Luc Luong Sy Quan	\$300		Arena Community Fund [D7]
Luther Burbank Jamboree	\$3,000	TOT Revenues & Rebudget; Gift Trust, Gate Fees; GF	Festival, Parade and Celebration Grants
Lynbrook High School ASB	\$3,600	IWM Fund	SJ Go Green Mini-grants (SJ schools or their 501c3 organizations)
Lyndale PTA	\$1,400	IWM Fund	SJ Go Green Mini-grants (SJ schools or their 501c3 organizations)
Lyric Theatre — Gilbert & Sullivan Society of San Jose	\$16,200	TOT	Project & Program Grants

GRANTEE	FUNDS AWARDED FY 2007-2008	SOURCE OF FUNDS (CDBG, WIA, HNVF, GF, TOT, BEST, ESG, HTF, IWM Fund, HOPWA, SPNS')	GRANT PROGRAM CATEGORY
MACLA	\$500	TOT	Organization Development Grants: Professional Development
MACLA	\$250		Arena Community Fund [D3]
MACLA	\$56,736	TOT	Operating Grants
MACLA	\$1,000		Arena Community Fund [D3]
MACLA for Movimiento Comico	\$4,000	TOT	Mini-grants (Projects)
MACLA for Spartan Keyes NAC (Martha Gardens Arts Festival Development)	\$45,000	GF	Special Grants
MACSA	\$158,270	BEST	PRNS
MACSA	\$1,000		Arena Community Fund [D5]
MACSA	\$500		Arena Community Fund [D3]
MACSA	\$160,200	WIA	WIA Grants
MACSA	\$114,144	CDBG	Youth Services Grants
MACSA	\$112,513	CDBG	Youth Services Grants
MACSA	\$26,824	CDBG	Senior Services Grants
MACSA	\$49,900	HNVF	PRNS
MACSA	\$37,500	HNVF	PRNS
MACSA (YOUTH CENTER)	\$275,162	GF	PRNS
MACSA (YOUTH EMPLOYMENT)	\$39,704	GF	Homework Centers
Maranatha Outreach Center, Inc. (Sites 1)	\$19,200	HNVF	Homework Centers
Margaret Wingrove Dance Company of San Jose	\$15,750	TOT	Project & Program Grants
Marine Science Institute	\$2,500	Treatment Plant Operating Fund	Youth Watershed Education Grants
Marine Science Institute	\$2,500	Treatment Plant Operating Fund	Youth Watershed Education Grants
Martha's Kitchen	\$77,000	HTF	Food Program Grants
Mayfair NAC	\$1,000		Arena Community Fund [D5]
McCollam	\$2,850	IWM Fund	SJ Go Green Mini-grants (SJ schools or their 501c3 organizations)
McLaughlin Corridor	\$300		Arena Community Fund [D7]
Merritt Trace	\$950	IWM Fund	SJ Go Green Mini-grants (SJ schools or their 501c3 organizations)
Metro-ED for String Ensemble	\$250		Arena Community Fund [D9]
Mexican Heritage Corporation	\$60,217	TOT	Operating Grants
Mexican Heritage Corporation	\$47,831	GF	Destination Event Marketing Grants
Mexican Heritage Corporation	\$6,150	TOT	Organization Development Grants: Technical Assistance
Mexican Heritage Plaza	\$1,300		Arena Community Fund [D5]
Milpitas Christian	\$900	IWM Fund	SJ Go Green Mini-grants (SJ schools or their 501c3 organizations)
Mission Chamber Orchestra	\$12,900	TOT	Project & Program Grants
Mission College Vietnamese Student Association	\$500		Arena Community Fund [D7]
Moreland	\$1,250	IWM Fund	SJ Go Green Mini-grants (SJ schools or their 501c3 organizations)
Moreland School District (Sites 6)	\$72,712		Homework Centers
Morgan Hill Unified School District (Sites 1)	\$10,000	HNVF	Homework Centers
Mount Pleasant Elementary School District	\$52,668	HNVF	PRNS
Mount Pleasant School District (Sites 5)	\$61,129	HNVF	Homework Centers
Music in the Other Park	\$8,000	TOT Revenues & Rebudget; Gift Trust, Gate Fees; GF	Festival, Parade and Celebration Grants
Music in the Park	\$17,000	TOT Revenues & Rebudget; Gift Trust, Gate Fees; GF	Festival, Parade and Celebration Grants
NAKASEC	\$500		Arena Community Fund [D4]

GRANTEE	FUNDS AWARDED FY 2007-2008	SOURCE OF FUNDS (CDBG WIA, HNVF, GF, TOT, BEST, ESG, HTF, IWM Fund, HOPWA, SPNS')	GRANT PROGRAM CATEGORY
NAKASEC	\$500		Arena Community Fund [D5]
NAKASEC For Strengthening Our Lives	\$500		Arena Community Fund [D4]
NAKASEC Strengthening Our Lives	\$500		Arena Community Fund [D5]
National Association for Civilian Oversight	\$1,000		Arena Community Fund [D7]
National Coalition of 100 Black Women	\$500		Arena Community Fund [D9]
National Coalition of 100 Black Women Inc	\$500		Arena Community Fund [D7]
National Hispanic University	\$500		Arena Community Fund [D4]
National Latino Peace Officers	\$1,500		Arena Community Fund [D10]
National Latino Peace Officers	\$500		Arena Community Fund [D1]
National Latino Peace Officers	\$200		Arena Community Fund [D8]
Nativity Schools Of San Jose	\$25,000	HNVF	PRNS
Nativity Schools Of San Jose	\$25,000	HNVF	PRNS
Neighborhood Housing Services of Silicon Valley	\$480,000	HTF	PRNS
Next Door Solutions to Domestic Violence	\$46,410	BEST	PRNS
Next Door Solutions To Domestic Violence	\$84,141	HNVF	PRNS
Next Door Solutions to Domestic Violence	\$75,508	CDBG	Domestic Violence Services Grants
Next Door Solutions to Domestic Violence	\$32,193	CDBG	Domestic Violence Services Grants
Next Door Solutions to Domestic Violence	\$23,808	ESG	Domestic Violence Services Grants
Nikkei Matsuri Festival	\$3,500	TOT Revenues & Rebudget; Gift Trust, Gate Fees; GF	Festival, Parade and Celebration Grants
Noddin Home & School Club	\$2,300	IWM Fund	SJ Go Green Mini-grants (SJ schools or their 501c3 organizations)
North Valley Youth Soccer League	\$2,500		Arena Community Fund [D4]
Northside Theatre Council	\$10,822	TOT	Operating Grants
Northside Theatre of San Jose	\$5,000	TOT	Organization Development Grants: Technical Assistance
O.B. Whaley	\$1,500	IWM Fund	SJ Go Green Mini-grants (SJ schools or their 501c3 organizations)
Oak Grove School District (Sites 20)	\$208,374	HNVF	Homework Centers
Olinder Neighborhood Association	\$750		Arena Community Fund [D3]
O'neill Sea Odyssey	\$25,000	HNVF	PRNS
Opera San Jose, Inc.	\$3,164	TOT	Organization Development Grants: Technical Assistance
Opera San Jose, Inc.	\$210,217	TOT	Operating Grants
Orchard School District (Sites 1)	\$6,304	HNVF	Homework Centers
Oster	\$770	IWM Fund	SJ Go Green Mini-grants (SJ schools or their 501c3 organizations)
Our City Forest	\$10,000	IWM Fund	Environmental Outreach
Our City Forest	\$500		Arena Community Fund [D9]
Our City Forest (Basic Operations)	\$143,000	GF	Our City Forest
Our City Forest (Urban Forestry Trainee Match)	\$120,000		Our City Forest
Outreach & Escort, Inc.	\$142,204	HNVF	PRNS
Outreach and Escort	\$40,048	CDBG	Senior Services Grants
P.A.R.T.I. Program	\$750		Arena Community Fund [D2]
P.A.R.T.I. Program	\$400		Arena Community Fund [D2]
PART I Program	\$500		Arena Community Fund [D4]
Pat Tillman Foundation	\$300		Arena Community Fund [D6]
Pathway Society, Inc.	\$312,837	BEST	PRNS
Pathway Society, Inc.	\$25,000	HNVF	PRNS
Pat's Run San Jose	\$3,500	TOT Revenues & Rebudget; Gift Trust, Gate Fees; GF	Festival, Parade and Celebration Grants

GRANTEE	FUNDS AWARDED FY 2007-2008	SOURCE OF FUNDS (CDBG, WIA, HNVF, GF, TOT, BEST, ESG, HTF, IWM Fund, HOPWA, SPNS')	GRANT PROGRAM CATEGORY
Peninsula Banjo Band	\$500		Arena Community Fund [D9]
People Acting in Community Together (PACT)	\$250		Arena Community Fund [D3]
Pew Charitable Trusts (California Cultural Data Project)	\$50,000	TOT	Special Grants
Piedmont Hills High School	\$450	Treatment Plant Operating Fund	Youth Watershed Education Grants
Piedmont Hills High School	\$450	Treatment Plant Operating Fund	Youth Watershed Education Grants
Piedmont Hills High School Parent Boosters	\$500		Arena Community Fund [D4]
Piedmont Middle School	\$1,550	IWM Fund	SJ Go Green Mini-grants (SJ schools or their 501c3 organizations)
Planned Parenthood	\$500		Arena Community Fund [D6]
Poetry Center San Jose	\$18,000	TOT	Project & Program Grants
Portuguese Organization for Social Services and Opportunities, Yu Ai Kai, Korean American Community Services, Self-Help for the Elderly	\$101,142	CDBG	Senior Services Grants
Preservation Action Council SJ	\$1,000		Arena Community Fund [D9]
Project Sentinel	\$50,000	HTF	Foreclosure Prevention Services Grants
Project Sentinel, Law Foundation of Silicon Valley, Asian Law Alliance	\$228,550	CDBG	Fair Housing Grants
Pueblo de Dios Lutheran Church	\$218		Arena Community Fund [D1]
Pumpkins in the Park	\$13,725	TOT Revenues & Rebudget; Gift Trust, Gate Fees; GF	Festival, Parade and Celebration Grants
RAFT (Resource Area For Teachers)	\$48,500	HNVF	PRNS
RAFT (Resource Area for Teaching)	\$43,900	IWM Fund	RAFT Diversion Grant
RAFT (Resource Area for Teaching)	\$500		Arena Community Fund [D4]
Rainbow Chamber of Commerce	\$1,000		Arena Community Fund [D8]
Rebuilding Together Silicon Valley	\$95,000	CDBG	Housing Rehabilitation Services Grants
Rebuilding Together Silicon Valley	\$89,000	HTF	Housing Rehabilitation Services Grants
Respite and Research Alzheimer's Disease	\$29,478	CDBG	Disabled Services Grants
Respite, Research For Alzheimer's Disease	\$14,069	GF	PRNS
Respite, Research For Alzheimer's Disease	\$26,250	HNVF	PRNS
Respite, Research For Alzheimer's Disease	\$25,000	HNVF	PRNS
River Glen (Habla, Friends of River Glen)	\$2,300	IWM Fund	SJ Go Green Mini-grants (SJ schools or their 501c3 organizations)
Rohi	\$80,250	BEST	PRNS
Rohi Alternative Community Outreach, Inc	\$25,000	HNVF	PRNS
Rohi Alternative Community Outreach, Inc.	\$112,075	GF	Homework Centers
Rohi Alternative Community Outreach, Inc. (Sites 1)	\$10,000	HNVF	Homework Centers
Sacred Heart Community Service	\$100		Arena Community Fund [D10]
Sacred Heart Community Service	\$48,048	HNVF	PRNS
Sacred Heart Community Service	\$500		Arena Community Fund [D4]
Sacred Heart Community Service	\$1,113,905	HTF	Homeless Services Grants
Sacred Heart Community Service	\$60,000	ESG	Homeless Services Grants
Sacred Heart Community Service	\$25,000	CDBG	Food Program Grants
Sacred Heart Community Service	\$4,000		Arena Community Fund [D9]
Sacred Heart Community Service (Sites 1)	\$11,000	HNVF	Homework Centers
Safe from the Start	\$5,000		Arena Community Fund [D5]
Salvation Army	\$125,870	GF	Non-Profit Recyclers
Samoan Resource Organization	\$500		Arena Community Fund [D3]
Samoan Resource Organization	\$300		Arena Community Fund [D7]
San Francisco Bay Bird Observatory	\$4,200	Treatment Plant Operating Fund	Youth Watershed Education Grants

GRANTEE	FUNDS AWARDED FY 2007-2008	SOURCE OF FUNDS (CDBG, WIA, HNVF, GF, TOT, BEST, ESG, HTF, IWM Fund, HOPWA, SPNS ¹)	GRANT PROGRAM CATEGORY
San Jose Chamber Music Society	\$18,000	TOT	Project & Program Grants
San Jose Chamber Orchestra	\$22,844	TOT	Operating Grants
San Jose Children's Discovery Museum	\$152,582	TOT	Operating Grants
San Jose Children's Musical Theater	\$120,645	TOT	Operating Grants
San Jose Children's Musical Theater	\$1,000		Arena Community Fund [D9]
San Jose Conservation Corps	\$500		Arena Community Fund [D4]
San Jose Conservation Corps	\$361,139	CDBG	Childcare Services Grants
San Jose Conservation Corps	\$240,000	WIA	WIA Grants
San Jose Conservation Corps	\$225,241	CDBG	Homework Centers
San Jose Conservation Corps	\$80,100	WIA	WIA Grants
San Jose Conservation Corps - City facilities	\$48,750	IWM Fund	Civic recycling and garbage collection
San Jose Conservation Corps - Event recycling	\$30,000	IWM Fund	Civic recycling and garbage collection
San Jose Conservation Corps - Parks recycling	\$75,000	IWM Fund	Civic recycling and garbage collection
San Jose Conservation Corps & Charter School	\$57,565	HNVF	PRNS
San Jose Conservation Corps & Charter School	\$42,704	HNVF	PRNS
San Jose Conservation Corps (Graffiti)	\$103,531	GF	Homework Centers
San Jose Conservation Corps (Graffiti-Parks)	\$77,523	GF	Homework Centers
San Jose Conservation Corps (Seasonal Cleaning)	\$108,984	GF	Homework Centers
San Jose Conservation Corps (Youth Employment)	\$39,704	GF	Homework Centers
San Jose Dance Theatre	\$12,600	TOT	Project & Program Grants
San Jose Day Nursery	\$75,146	HNVF	PRNS
San Jose East Evergreen Rotary	\$7,500		Arena Community Fund [D8]
San Jose Education Foundation	\$500		Arena Community Fund [D2]
San Jose Education Foundation	\$500		Arena Community Fund [D10]
San Jose Education Foundation	\$250		Arena Community Fund [D9]
San José Education Foundation (Sites 1)	\$28,000	HNVF	Homework Centers
San Jose Evergreen Com College for Enlace	\$250		Arena Community Fund [D4]
San Jose Fire Fighters, Local 230	\$250		Arena Community Fund [D4]
San Jose Gay Pride Celebration	\$1,000		Arena Community Fund [D6]
San Jose Gay Pride Festival & Parade	\$3,700	TOT Revenues & Rebudget; Gift Trust, Gate Fees; GF	Festival, Parade and Celebration Grants
San Jose Grail Family Services	\$37,500	HNVF	PRNS
San Jose Grail Family Services	\$25,000	HNVF	PRNS
San Jose Institute of Contemporary Art	\$46,958	TOT	Operating Grants
San Jose International Mariachi Festival	\$9,503	TOT Revenues & Rebudget; Gift Trust, Gate Fees; GF	Festival, Parade and Celebration Grants
San Jose Jazz Festival	\$46,000	TOT Revenues & Rebudget; Gift Trust, Gate Fees; GF	Festival, Parade and Celebration Grants
San Jose Jazz Society	\$138,600	HNVF	PRNS
San Jose Jazz Society	\$100,000	GF	Destination Event Marketing Grants
San Jose Jazz Society	\$61,763	TOT	Operating Grants
San Jose Jewish Film Festival	\$18,000	TOT	Project & Program Grants
San Jose Multicultural Artists Guild	\$250		Arena Community Fund [D2]
San Jose Multicultural Artists Guild	\$500		Arena Community Fund [D7]
San Jose Multicultural Artists Guild	\$21,107	TOT	Operating Grants
San Jose Multicultural Artists Guild	\$500		Arena Community Fund [D3]
San Jose Museum of Art	\$500		Arena Community Fund [D2]
San Jose Museum of Art Association	\$175,532	TOT	Operating Grants

GRANTEE	FUNDS AWARDED FY 2007-2008	SOURCE OF FUNDS (CDBG, WIA, HNVF, GF, TOT, BEST, ESG, HTF, IWM Fund, HOPWA, SPNS')	GRANT PROGRAM CATEGORY
San Jose Museum of Quilts	\$500		Arena Community Fund [D1]
San Jose Museum of Quilts & Textiles	\$39,125	TOT	Operating Grants
San Jose Museum of Quilts & Textiles	\$250		Arena Community Fund [D3]
San Jose Museum of Quilts & Textiles	\$1,000		Arena Community Fund [D9]
San Jose Museum of Quilts & Textiles	\$500		Arena Community Fund [D7]
San Jose Police Activities League	\$500		Arena Community Fund [D1]
San Jose Police Activities League	\$500		Arena Community Fund [D4]
San Jose Police Activities League	\$250		Arena Community Fund [D6]
San Jose Police Foundation	\$500		Arena Community Fund [D6]
San Jose Police Officers Association Charitable Foundation	\$500		Arena Community Fund [D7]
San Jose Police Officers Association Charitable Foundation	\$1,000		Arena Community Fund [D1]
San Jose Police Officers Association Charitable Foundation	\$250		Arena Community Fund [D9]
San Jose Public Library	\$127,794	HNVF	PRNS
San Jose Public Library Foundation	\$500		Arena Community Fund [D3]
San José Public Library Foundation	\$75,000	Library C&C	San José Library Foundation Support
San Jose Public Library Foundation - Willow Glen Library	\$1,000		Arena Community Fund [D6]
San Jose Repertory Theatre	\$118,208	TOT	Operating Grants
San Jose Repertory Theatre	\$374	TOT	Organization Development Grants: Professional Development
San Jose Silicon Valley Chamber of Commerce	\$72,495	GF	Chambers of Commerce (OED)
San Jose Stage Company	\$69,977	GF	General Fund Base Budget Funding
San Jose Stage Company	\$1,000		Arena Community Fund [D5]
San Jose Stage Company	\$1,000		Arena Community Fund [D5]
San Jose Stage Company	\$500		Arena Community Fund [D6]
San Jose Stage Company	\$250		Arena Community Fund [D6]
San Jose Stage Company	\$1,000		Arena Community Fund [D2]
San Jose Symphonic Choir	\$11,554	TOT	Operating Grants
San Jose Taiko Group, Inc.	\$49,924	TOT	Operating Grants
San Jose Unified School District	\$365,515	State	*ASES Program (State of CA)
San José Unified School District (Sites 34)	\$469,085	HNVF	Homework Centers
San Jose Unified School District for Pioneer High School	\$1,000		Arena Community Fund [D10]
San Jose Wind Symphony	\$4,000	TOT	Mini-grants (Projects)
San Jose Young People's Theater	\$1,000		Arena Community Fund [D6]
San Jose Youth Symphony	\$40,732	TOT	Operating Grants
San Jose Youth Symphony	\$250		Arena Community Fund [D4]
San Jose/Silicon Valley NAACP	\$26,250	HNVF	PRNS
San Jose/Silicon Valley NAACP	\$800		Arena Community Fund [D5]
San Juan Bautista (Transitional Care-Mildly Ill Children)	\$31,715	GF	PRNS
San Juan Bautista Child Development Center	\$1,000		Arena Community Fund [D3]
San Juan Bautista Child Development Center	\$37,500	HNVF	PRNS
San Juan Bautista Child Development Center	\$1,000		Arena Community Fund [D4]
Santa Clara Creeks Coalition	\$1,000	Storm Sewer Operating Fund	Workshop Sponsorship
Santa Clara Family Health	\$2,100,000	HNVF	PRNS
Santa Clara Family Health Foundation	\$200		Arena Community Fund [D1]
Santa Clara Family Health Foundation	\$200		Arena Community Fund [D9]
Santa Clara Family Health Foundation - Westside Children's H.	\$250		Arena Community Fund [D6]
Santa Clara Unified School District for George Mayne	\$500		Arena Community Fund [D4]
Santa Clara Union School District	\$105,075	State	*ASES Program (State of CA)
Santa Clara University	\$26,531	CDBG	Legal Services Grants
Santa Clara Valley Audubon Society	\$5,000	Treatment Plant Operating Fund	Youth Watershed Education Grants

GRANTEE	FUNDS AWARDED FY 2007-2008	SOURCE OF FUNDS (CDBG, WIA, HNVF, GF, TOT, BEST, ESG, HTF, IWM Fund, HOPWA, SPNS')	GRANT PROGRAM CATEGORY
Santa Clara Valley Blind Center	\$250		Arena Community Fund [D3]
Santa Clara Valley Blind Center, Inc.	\$48,780	HNVF	PRNS
Santa Clara Valley Performing Arts Assn	\$5,000	TOT	Organization Development Grants: Technical Assistance
Santa Teresa Citizens Action Group	\$5,000		Arena Community Fund [D2]
Santa Visits Alviso Foundation	\$500		Arena Community Fund [D4]
Santee Community	\$2,900		Arena Community Fund [D7]
School Health Clinics Of Santa Clara County	\$27,708	HNVF	PRNS
Second Harvest Food Bank of Santa Clara and San Mateo Counties	\$25,000	CDBG	Food Program Grants
Self-Help For The Elderly	\$120,886	HNVF	PRNS
Senior Adults Legal Assistance (SALA)	\$34,473	HNVF	PRNS
Senior Adults Legal Services	\$72,348	CDBG	Senior Services Grants
Senter Road Creekside Neighborhood	\$500		Arena Community Fund [D7]
Seven Tree Neighborhood Group	\$500		Arena Community Fund [D7]
Sherman Oaks Community Charter School, Campbell Union School District	\$25,000	HNVF	PRNS
Silicon Valley Bicycle Coalition	\$400		Arena Community Fund [D9]
Silicon Valley Children's Fund	\$18,000	TOT	Project & Program Grants
Silicon Valley Conference for Community and Justice	\$1,000		Arena Community Fund [D4]
Silicon Valley Crime Stoppers	\$1,000		Arena Community Fund [D10]
Silicon Valley Crime Stoppers	\$500		Arena Community Fund [D2]
Silicon Valley Independent Living Center	\$25,000	CDBG	Disabled Services Grants
SJDANCEco	\$10,000	TOT	Project & Program Grants
SJSU - Cesar Chavez Memorial	\$1,000		Arena Community Fund [D5]
SJSU - Cesar Chavez Memorial	\$2,000		Arena Community Fund [D2]
SJSU - Cesar Chavez Memorial Arch	\$250		Arena Community Fund [D3]
SJSU - Cesar Chavez Memorial Arch	\$1,750		Arena Community Fund [D3]
SJSU - Cesar Chavez Memorial Fund	\$1,000		Arena Community Fund [D4]
SJSU - Cesar Chavez Memorial Fund	\$2,500		Arena Community Fund [D1]
SJSU - Cesar Chavez Memorial Fund	\$2,000		Arena Community Fund [D9]
SJSU - Cesar Chavez Memorial Fund	\$2,000		Arena Community Fund [D10]
SJSU - Dept Regional and Urban Planning	\$250		Arena Community Fund [D3]
SJSU - Pre-College Programs	\$250		Arena Community Fund [D3]
SJSU Friends and Alumni of PoliSci	\$250		Arena Community Fund [D2]
SJSU Ice Skating Club	\$1,000		Arena Community Fund [D3]
SJSU -PoliSci	\$500		Arena Community Fund [D5]
SJSU Pre-College Programs	\$1,500		Arena Community Fund [D7]
SJSU South Bay Film	\$800		Arena Community Fund [D7]
SJSU-College of Social Sciences Fund	\$1,000		Arena Community Fund [D9]
SJSU-Poli-Sci	\$1,000		Arena Community Fund [D9]
SJUSD for Booksin Elementary School	\$500		Arena Community Fund [D6]
SJUSD for Project Bookmark	\$500		Arena Community Fund [D6]
SJUSD for Trace Elementary School	\$500		Arena Community Fund [D6]
SJUSD for Willow Glen Elementary School	\$400		Arena Community Fund [D6]
SNI for Plata Arroyo Neighborhood Association	\$300		Arena Community Fund [D5]
Soccer Silicon Valley Community Foundation	\$700		Arena Community Fund [D3]
Somali Community Services	\$750		Arena Community Fund [D2]
Somali Community Services	\$250		Arena Community Fund [D3]
SOMOS Mayfair	\$1,000		Arena Community Fund [D5]
South Bay Guitar Society	\$16,200	TOT	Project & Program Grants
South Bay Traditional Jazz Society	\$350		Arena Community Fund [D9]
South Bay Traditional Jazz Society	\$500		Arena Community Fund [D9]

GRANTEE	FUNDS AWARDED FY 2007-2008	SOURCE OF FUNDS (CDBG, WIA, HNVF, GF, TOT, BEST, ESG, HTF, IWM Fund, HOPWA, SPNS ¹)	GRANT PROGRAM CATEGORY
South Valley YMCA	\$2,500		Arena Community Fund [D10]
Special Events Programming Committee, ASSJSU	\$13,500	TOT	Project & Program Grants
Spring in Guadalupe Gardens	\$10,000	TOT Revenues & Rebudget; Gift Trust, Gate Fees; GF	Festival, Parade and Celebration Grants
Spring Music Festival (Campbell Union High School Dist)	\$3,000		Arena Community Fund [D9]
St. Vincent De Paul (Day Worker Program)	\$48,569	GF	PRNS
Steinway Society - The Bay Area	\$21,571	TOT	Operating Grants
Story Road Business Association	\$1,600		Arena Community Fund [D5]
Story Road Business Association	\$1,500		Arena Community Fund [D7]
Story Road Tamale Festival	\$1,000		Arena Community Fund [D7]
Student Racing Partners, Inc.	\$29,624	HNVF	PRNS
Sunday Concert Series	\$15,000	TOT Revenues & Rebudget; Gift Trust, Gate Fees; GF	Festival, Parade and Celebration Grants
Support Network for Battered Women	\$500		Arena Community Fund [D5]
Symphony San Jose	\$425		Arena Community Fund [D6]
Symphony Silicon Valley	\$148,211	TOT	Operating Grants
Tapestry Arts Festival	\$34,187	TOT Revenues & Rebudget; Gift Trust, Gate Fees; GF	Festival, Parade and Celebration Grants
Tapestry Arts of San Jose	\$1,500		Arena Community Fund [D9]
Tapestry Arts of San Jose	\$1,000	TOT	Organization Development Grants: Professional Development
Tapestry Arts of San Jose	\$250		Arena Community Fund [D3]
Tapestry Arts of San Jose	\$43,315	TOT	Operating Grants
Teatro Vision	\$7,000	TOT	Organization Development Grants: Technical Assistance
Teatro Vision	\$250		Arena Community Fund [D3]
Teatro Vision	\$53,052	TOT	Operating Grants
The Alameda Business Association	\$750		Arena Community Fund [D6]
The Alameda Business Association	\$500		Arena Community Fund [D7]
The Alameda Business Association	\$750		Arena Community Fund [D1]
The Autism Project, Silicon Valley	\$350		Arena Community Fund [D3]
The Health Trust	\$690,000	HOPWA	Services for People with AIDs Grants
The Health Trust	\$397,683	HOPWA SPNS	Services for People with AIDs Grants
The Health Trust	\$30,249	HNVF	PRNS
The Health Trust	\$25,000	CDBG	Food Program Grants
The Positive Alternative Recreation Teambuilding Impacting	\$500		Arena Community Fund [D3]
The Roman Catholic Diocese of San José (Sites 3)	\$27,548	HNVF	Homework Centers
The Watershed Project	\$2,500	Treatment Plant Operating Fund	Youth Watershed Education Grants
The Watershed Project	\$2,500	Treatment Plant Operating Fund	Youth Watershed Education Grants
Third Street Community Center	\$34,742	HNVF	PRNS
Third Street Community Center (Sites 1)	\$10,000	HNVF	Homework Centers
Tooth Mobile	\$97,000	HNVF	PRNS
Toys for Tots	\$50		Arena Community Fund [D10]
Turning Wheels for Kids	\$1,000		Arena Community Fund [D10]
Ujima	\$149,000	BEST	PRNS
Union	\$1,400	IWM Fund	SJ Go Green Mini-grants (SJ schools or their 501c3 organizations)
Union School District - Middle Schools Music Program	\$3,000		Arena Community Fund [D9]

GRANTEE	FUNDS AWARDED FY 2007-2008	SOURCE OF FUNDS (CDBG, WIA, HNVF, GF, TOT, BEST, ESG, HTF, IWM Fund, HOPWA, SPNS')	GRANT PROGRAM CATEGORY
Union School District (Sites 8)	\$82,380	HNVF	Homework Centers
Union School District for Lietz Elementary School	\$250		Arena Community Fund [D9]
Uniting Sports and Kids	\$1,000		Arena Community Fund [D5]
Unity Care	\$89,500	WIA	WIA Grants
Unity Care Group	\$75,000	HTF	Homeless Services Grants
Unity Care Group	\$71,709	HNVF	PRNS
Unity Care Group	\$23,601	ESG	Homeless Services Grants
Valley Medical Center Foundation	\$2,500		Arena Community Fund [D1]
VEP Community Association	\$500		Arena Community Fund [D10]
Veterans Day Parade	\$15,000	TOT Revenues & Rebudget; Gift Trust, Gate Fees; GF	Festival, Parade and Celebration Grants
Viet American Foundation for Mid Autumn	\$500		Arena Community Fund [D7]
Viet American Foundation for Mid Autumn Festival	\$500		Arena Community Fund [D4]
Viet American Foundation for Vietology	\$500		Arena Community Fund [D1]
Viet American Foundation for Vietology	\$500		Arena Community Fund [D7]
Viet ET Foundation	\$500		Arena Community Fund [D4]
Viet ET Foundation	\$200		Arena Community Fund [D4]
Viet Second Chance Family	\$300		Arena Community Fund [D7]
Vietnamese American Bar Association of Northern California	\$500		Arena Community Fund [D4]
Vietnamese American Bar Association of Northern California	\$250		Arena Community Fund [D4]
Vietnamese American Community of North America	\$500		Arena Community Fund [D4]
Vietnamese American Volunteer VAVWANC	\$300		Arena Community Fund [D7]
Vietnamese Chamber of Commerce of Silicon Valley	\$30,912	Citywide GF	Chambers of Commerce (OED)
Vietnamese Spring Festival	\$1,000		Arena Community Fund [D4]
Vietnamese Spring Festival	\$157		Arena Community Fund [D2]
Vietnamese Spring Festival and Parade	\$500		Arena Community Fund [D3]
Vietnamese Voluntary Foundation	\$49,328	CDBG	Senior Services Grants
Vietnamese Voluntary Foundation	\$25,000	CDBG	Youth Services Grants
Vietnamese Voluntary Foundation (VIVO)	\$37,500	HNVF	PRNS
Vision New America	\$500		Arena Community Fund [D1]
Visual Rhythm Dance Company	\$15,457	TOT	Project & Program Grants
Vivace Youth Chorus	\$16,200	TOT	Project & Program Grants
Volunteer Ctr.	\$52,500	BEST	PRNS
Vovinam Youth Association	\$500		Arena Community Fund [D7]
Washington D. C. Travel Boosters	\$1,367		Arena Community Fund [D2]
Washington Open Elementary School	\$3,715	Treatment Plant Operating Fund	Youth Watershed Education Grants
West Evergreen Neighborhood Association	\$300		Arena Community Fund [D7]
West San Carlos Business Association	\$250		Arena Community Fund [D6]
West San Carlos Street Neighborhood BA	\$500		Arena Community Fund [D6]
West Valley Community Services (Formerly Cupertino Community Services)	\$76,833	GF	PRNS
Wildlife Festival	\$4,000	TOT Revenues & Rebudget; Gift Trust, Gate Fees; GF	Festival, Parade and Celebration Grants
Willow Glen Business Association	\$1,000		Arena Community Fund [D6]
Willow Glen Children's Theater	\$500		Arena Community Fund [D6]
Willow Glen Foundation (Middle School & High School Foundation)	\$1,000		Arena Community Fund [D6]
Willow Glen Little League	\$500		Arena Community Fund [D6]
Willow Glen Performing Arts Booster	\$500		Arena Community Fund [D6]

GRANTEE	FUNDS AWARDED FY 2007-2008	SOURCE OF FUNDS (CDBG, WIA, HNVF, GF, TOT, BEST, ESG, HTF, IWM Fund, HOPWA, SPNS')	GRANT PROGRAM CATEGORY
Winchester Orchestra	\$13,680	TOT	Project & Program Grants
WO Crocket Scholarship Fund	\$100		Arena Community Fund [D10]
Works/San Jose	\$11,390	TOT	Operating Grants
Yerba Buena High School	\$300		Arena Community Fund [D7]
YMCA Mayfair Program (East Valley YMCA)	\$54,450	GF	PRNS
YMCA of Santa Clara Valley	\$45,540	HNVF	PRNS
YMCA of Santa Clara Valley	\$39,570	HNVF	PRNS
YMCA of Santa Clara Valley	\$450		Arena Community Fund [D10]
Youth Science Institute	\$18,428	GF	Homework Centers
Youth Science Institute	\$5,000	Treatment Plant Operating Fund	Youth Watershed Education Grants
Youth Science Institute	\$1,000		Arena Community Fund [D9]
YWCA	\$1,500		Arena Community Fund [D6]
YWCA	\$250		Arena Community Fund [D6]
YWCA of Silicon Valley	\$250		Arena Community Fund [D3]
YWCA of Silicon Valley	\$100		Arena Community Fund [D4]
YWCA of Silicon Valley	\$131,420	CDBG	Childcare Services Grants
Zero1 (NOTE: Combination of 2 grants)	\$300,000	GF	Special Grants