



Memorandum

TO: MAKING GOVERNMENT WORK
BETTER COMMITTEE

FROM: Sara L. Hensley
Gerald A. Silva

SUBJECT: SEE BELOW

DATE: 09-07-05

Approved

Date

Council District: 3
SNI Area: N/A

SUBJECT: UPDATE ON NORTHSIDE COMMUNITY CENTER OPERATIONS

RECOMMENDATION

Approve the status report on the oversight of Northside Community Center Operations.

BACKGROUND

On June 28, 2005, the City Council accepted the City Auditor's report entitled "An Audit of the Agreements between the City and the Filipino American Senior Opportunities Development Council, Inc." (Fil-Am SODC). This report resulted in two primary findings:

1. The Fil-Am SODC used an estimated \$219,414 in City grant fund to pay for programs and activities that were not part of the City's Grant Agreement during 2002-03 and 2003-04.
2. That City oversight of the Fil-Am SODC grant agreements and Jacinto "Tony" Siquig Northside Community Center was inadequate.

As a result of this report, staff was directed to develop a work plan to address the issues identified in the report and to make regular updates to the City Council on the progress of these efforts including a full re-evaluation of the management of the Northside Community Center in December, 2006.

In addition, staff was requested to provide quarterly reports, beginning in September 2005, that would include: 1) cash flow analysis prepared by the City Auditor's Office; 2) year-end closing data for FY 2004-05 prepared by the City Auditor's Office; 3) status of investigation by the District Attorney's Office; and 4) an operations report. This memorandum provides an update of these issues for the period July through August, 2005.

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ANALYSIS

The eighteen-month work plan will achieve the following outcomes:

1. Improved oversight of Fil-Am SODC activities to ensure compliance with grant activities.
2. Improved capacity of Fil-Am SODC to successfully comply with grant requirements and effectively operate the City-owned "Jacinto "Tony" Siquig Northside Community Center.
3. Revised grant and administrative procedures in the areas of contract administration, contract compliance, project monitoring, and employee training.

To achieve these outcomes, staff will be working with Fil-Am SODC on the following deliverables:

1. Agreement for the reimbursement of ineligible grant expenses by the Fil-Am SODC;
2. Agreement for the operations and maintenance of Northside Community Center through December, 2006;
3. Selection of a qualified service provider(s) to assist the Fil-Am SODC to resolve administrative, fiscal and management issues;
4. Regular oversight of Fil-Am SODC activities to ensure compliance with grant requirements including the eligibility of activities, performance measurement, fiscal accountability and program evaluation;
5. Assessment and evaluation of grant policies and administrative procedures to improve monitoring and training for grant recipients, require cost allocation plans to be considered as part of the grant review process and ensure that organizations do not occupy City facilities without a formal agreement; and,
6. Staff training in the areas of auditing and FASB (Financial Accounting Standards Board) requirements.

An inter-departmental team comprised of representatives from the City Manager's Office, the City Attorney's Office, the City Auditor's Office and the Department of Parks, Recreation and Neighborhood Services (PRNS) has been established to ensure coordination of effort. The Director of PRNS is serving as the team leader.

Oversight of Fil-Am SODC

PRNS staff has met with the Executive Director on two occasions (July 29 and August 18) to discuss the work plan and to begin to collect the required information. In addition, meetings have been held with Fil-Am SODC staff (August 18) and the Executive Committee of the Board of Directors (August 25). A presentation to the full Board will be made at their next quarterly Board meeting.

The meetings with the Director, Executive Committee members and staff have all been very positive. It is clear that the organization is committed to improvement and a cooperative working relationship. The Executive Committee has established a regular meeting schedule,

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begun work on the development of an evaluation tool for the Executive Director and has scheduled both a general assembly meeting of members for October and a date for the election of new Board members in November. These are all positive steps.

Nevertheless, we have not received sufficient information to make a complete program report. Requests from the Auditor's office made in July for financial information remain outstanding. ***Resources must be re-directed immediately*** so that the information required can be reviewed as soon as possible. Enclosed as Attachment A is a matrix of the information that has been requested from Fil-Am SODC.

PRNS staff will be meeting with the Executive Director of Fil-AM SODC on a regular basis and will attend their regularly scheduled Board meetings. PRNS staff has requested that all information be provided by September 30.

Grants Administration

For FY2005-06, Fil-Am SODC has been awarded a Healthy Neighborhoods Venture Fund grant in the amount of \$173,204 and a General Fund Grant in the amount of \$58,354. The general fund dollars will be incorporated into the Operations and Maintenance agreement with Fil-Am SODC for the operation of the Northside Community Center. This document will include specific performance targets for the use of these funds. Due to the unique requirements of the HNMF grant, a separate agreement will be executed for the HNMF monies.

The current operations and maintenance agreement with Northside will expire in December, 2005. Staff is working with the Attorney's Office to ensure that the subsequent agreement for the period December 2005 through December 2006 incorporates provisions that will address concerns about performance targets, duplication of services, reporting and evaluation.

Cash Flow Analysis

Fil-Am SODC submitted part of the requested information for the cash flow analysis on September 1, 2005. As a result of this late submittal, the City Auditor's Office did not have time to fully analyze and verify the information prior to the staff memo for the September MGWB Committee meeting. However, a cursory review of the submitted materials calls into question the financial viability of the Fil-Am SODC organization.

For example, the organization's 2004-05 financial information reports over \$73,000 in net operating losses, marking the third year of losses for the organization. It also shows an additional \$47,650 in accumulated debt on an interest-bearing credit line. Furthermore, the organization is faced with the future repayment of the \$219,414 in misused grant funds from 2002-03 and 2003-04. The following chart tracks Fil-Am SODC's accrued cash revenues and expenses over the last four years.

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	2001-02	2002-03	2003-04	2004-05
Total Revenue	\$693,563	\$701,892	\$737,596	\$538,216
Accrued Expenses	\$667,491	\$774,931	\$768,309	\$611,774
Profit (Loss)	\$26,071	\$(73,039)	\$(30,713)	\$(73,558)

The 2005-06 fiscal year does not show signs of improvement for Fil-Am SODC's financial situation. The City reduced its grants to Fil-Am SODC from \$329,768 in 2004-05 to \$231,558 in 2005-06 (\$173,204 in HNVF, \$58,354 in General Funds, and no CDBG). It also appears that Fil-Am SODC did not receive some of the funds it reported in its 2005-06 grant applications to the City. For example, in its grant applications Fil-Am SODC stated that it received a \$100,000 State grant for 2005-06. Based on conversations with the California Department of Community Services and Development, Fil-Am SODC did not apply for, and the State did not grant, any additional moneys to Fil-Am SODC after the initial \$100,000 in 2004. Fil-Am SODC's grant applications also indicated that from January 2005 to September 2005, they would raise \$150,000 through their Wall of Support fundraising program. However, Fil-Am SODC's financial information shows that they had only raised \$2,330 of this amount by June 2005.

Unless Fil-Am SODC can show significant additional sources of funding, its revenues for 2005-06 will not be able to sustain Fil-Am SODC without significant reductions in operating expenses. Such reductions would exacerbate Fil-Am SODC's already diminished ability to provide services at the Northside Community Center. The City Auditor's Office requested copies of Fil-Am SODC's 2005-06 funding awards and is waiting for the information to confirm Fil-Am SODC's 2005-06 sources of revenue. Given the above information, it is important for Fil-Am SODC to provide confirmation of its 2005-06 sources of revenue immediately.

Training

In an effort to improve the capacity of all community-based organizations funded by PRNS, staff is exploring alternative strategies to ensure organizations have opportunities for training and development. Strategies currently under consideration include: City-sponsored training coordinated through the Neighborhood Development Center, revision of grant guidelines to require training as a condition of grant award and coordination with external training programs such as Compass Point and San José State University's Professional Development Non-Profit Management Certificate Program. The goal of this effort is to prevent a reoccurrence of the issues raised in the Northside audit by working with the groups upfront and providing a mechanism to ensure they develop long-term capacity that will help them be successful in administering not only City grants but grants from other sources as well.

Investigation by the District Attorney's Office

At this point, the investigation is still on-going. Additional information will be provided when it is released from the District Attorney's Office.

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CONCLUSION

The audit of operations at the Northside Community Center has provided an opportunity to improve oversight and administration of programs. These lessons will prove to be invaluable to the Department as it proceeds with the implementation of its larger Re-Use Strategy in the coming year. As such, the cooperation of Fil-Am SODC is truly appreciated and the Department looks forward to building a stronger partnership and better programs for our residents.

GERALD SILVA
City Auditor

SARA L. HENSLEY
Director of Parks, Recreation and
Neighborhood Services

Cc: Attachment A – Matrix of Information Requested

ATTACHMENT A - ITEMS REQUESTED

Date Requested	Items Requested by City of San Jose – Parks, Recreation and Neighborhood Services	Date Received
8-17-05	Facility Rental Policies & Procedures	
8-17-05	FY 2004-05 Center Budget	
8-17-05	FY 2005-06 Center Budget	
8-15-05	Board of Directors-revised chart (with outlined areas of responsibilities/committee assignments)	Received
8-15-05	CENTER EMPLOYEEROSTER with work areas and responsibilities, from what budget are they paid	
8-15-05	CENTER PROGRAM PLAN with Program detail (day, time length, cost, fees charged, number of users) (also staff assigned funding sources)	
8-15-05	CENTER MEMBERSHIP ROSTER – members in good standing	
8-15-05	EVALUATION PROCESS and format used for staff and CEO (How are they evaluated and by whom?) (Who evaluates the CEO?)	
8-15-05	Written Job Descriptions	
8-15-05	Salary Schedule for employees with benefits package	
8-15-05	Any consultant contracts/agreements	
8-15-05	Schedule of established full Board Meetings for 2005-06	
8-15-05	Volunteer Program Information	
8-15-05	Updated Calendar of Events	

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Date Requested	Items Requested by Auditor and Parks, Recreation and Neighborhood Services	Date Received
7-28-05	FY2004-05 financial data on Excel and Peach Tree	9/1/05
7-28-05	FY 2004-05 and 2005-06 list of grant awards, amounts and copies of agreements/letters confirming each award.	
8-26-05	All documentation of how other programs (not HNMF, etc.) are funded? What are the funding sources (listed in the other sources of funds section on HNMF form.)	