



Memorandum

TO: Rules and Open Government
Committee

FROM: Gerald A. Silva
City Auditor

SUBJECT: *REFERRAL OF AUDIT OF
RESOURCES FOR FAMILIES
AND COMMUNITIES*

DATE: February 8, 2007

On February 7, 2007, the City Attorney's Office recommended that the Rules and Open Government Committee add an audit of the Resources for Families and Communities (RFC) to the City Auditor's 2006-07 workplan. Specifically, the City Attorney's office requires the City Auditor's expertise in reviewing all pertinent financial and contractual records to determine if RFC still owes Neighborhood Revitalization Strategy and Community Development and Block Grant funds to the City.

The City Attorney's Office is in the process of obtaining additional and crucial financial information about RFC. We anticipate having available staff to conduct the audit of RFC once the City Attorney's Office obtains this information.

I will be available at the Rules and Open Government Committee's February 14, 2007 meeting to answer any questions Committee members may have.

Gerald A. Silva
City Auditor

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Memorandum

TO: RULES AND OPEN
GOVERNMENT COMMITTEE

FROM: Richard Doyle,
City Attorney

SUBJECT: Addition to City Auditor's
2006-07 Work Plan To Review
Resources For Families and
Communities' Financial
information

DATE: January 29, 2007

RECOMMENDATION

The City Attorney's Office recommends that the City Auditor add to its 2006-07 work plan, a review of the financial information of Resources for Families and Communities ("RFC"), a 501(c)3 non-profit organization.

BACKGROUND

The City Attorney's Office is currently evaluating the extent to which RFC owes the City reimbursement of funds.

The City Attorney's Office seeks an accounting of the Neighborhood Revitalization Strategy (NRS) funds the City of San Jose awarded to RFC in the approximate amount of \$581,296 and the Community Block Grant Program (CDBG) funds the City of San Jose awarded to RFC in the approximate amount of \$126,630 for an approximate total of \$707,926. RFC has paid the City back approximately \$258,014 and possibly an additional \$70,000 for a total of \$328,014.

The City Attorney's Office needs the City Auditor's expertise to determine the amounts that are still owed to the City of San Jose. Accordingly, the City Attorney's Office recommends that the City Auditor add to its 2006-07 work plan, a review of RFC's financial information.

ANALYSIS

The City of San Jose's Parks, Recreation, and Neighborhood Services (PRNS) entered into four agreements with RFC to administer NRS funds. The parties executed one agreement in 2000, two in 2001, and one in 2002. The purpose of these agreements was to provide a mechanism for City funding to be applied to neighborhood projects identified through the NRS program. Under these contracts, the City of San Jose transferred approximately \$581,296 to RFC, with RFC obligated to oversee the proper expenditure of such funds, the terms of which are outlined in each agreement. City staff has been examining the status of the RFC's spending pursuant to the agreements.

In 2005, the City of San Jose terminated the four NRS agreements, a Community Action and Pride Grant, and one San Jose After School (SJAS) Level 1 Homework Center Grant and requested that RFC cease all spending on a CDBG Grant.

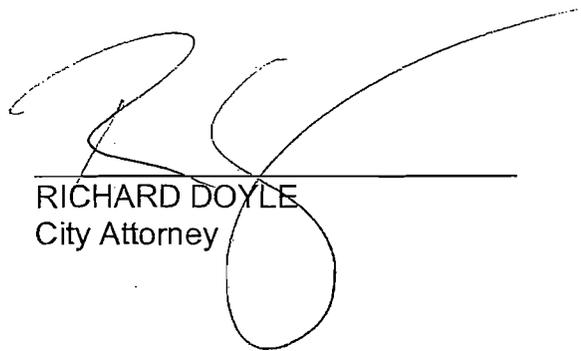
In addition to the NRS agreements, in July 2002, RFC entered into a contractual agreement with the City of San Jose's CDBG Program for the fiscal year 2002-2003. RFC received approximately \$126,630 for the renovation of a City-owned property in San Jose. The City Attorney's Office needs the City Auditor's expertise in reviewing all appropriate documents to determine what the amounts, if any, are still owed to the City.

COORDINATION WITH CITY AUDITOR

The City Attorney's Office has coordinated this request with the City Auditor.

CONCLUSION

The City Attorney's Office recommends that the City Auditor add to its 2006-07 work plan, a review of RFC's financial information.



RICHARD DOYLE
City Attorney