

# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Erik L. Soliván

**SUBJECT:** SEE BELOW

**DATE:** July 1, 2024

Approved



Date

7-3-24

## INFORMATION

**SUBJECT: GRANT MONITORING RESULTS FOR FISCAL YEAR 2021-2022  
HOUSING GRANT AGREEMENTS**

The purpose of this memorandum is to report the results of the Fiscal Year (FY) 2021-2022 housing grant agreements monitoring and compliance review project. This period was selected for monitoring and compliance review due to the high distribution of funds as a part of the COVID-19 pandemic response.

## SUMMARY AND OUTCOME

During the COVID-19 pandemic, the City partnered with numerous organizations to assist families impacted by COVID-19 pursuant to City Council Resolution No. 79860 of March 2020<sup>1</sup>. The Housing Department contracted with several organizations to provide services to the residents of San José. Similar to many municipalities across the country, federal funding was distributed en masse and rapidly to meet the urgent humanitarian need. In 2022, the City contracted with the PUN Group, LLP, (PUN Group), to conduct grant monitoring and compliance review of Housing Department grant agreements funded during FY 2021-2022 by federal, state, and local funding sources. The PUN Group completed its initial sample segment of grant monitoring of all FY 2021-2022 grant agreements administered by the Housing Department. In addition to administrative challenges in contract management and monitoring, a number of material non-compliant grant agreements were found. The work of the PUN Group has now been extended, as approved by City Council on June 18, 2024<sup>2</sup>, to review additional

<sup>1</sup> [File: 20-306, Item: 3.5, March 10, 2020, Ratification and Extension of Proclamation of Local Emergency Due to Confirmation from the Santa Clara County Department of Public Health That Community Transmission of the 2019 Novel Coronavirus \(COVID-19\) is Happening at the Local Level. \(Legistar.com\)](#)

<sup>2</sup> [File: 24-147328, Item: 2.22, June 18, 2024, Second Amendment to the Agreement with The PUN Group, LLP for Grant Fund Monitoring Services \(Legistar.com\)](#)

sample segments of grant agreements to capture and resolve any additional findings of non-compliance.

## **BACKGROUND**

In 2022, the City of San José began file reviews of grant agreements. The Housing Department is now implementing a process for grants management that utilizes a risk-based compliance assessment model and performs programmatic and financial monitoring and compliance reviews. The goal of the financial monitoring and compliance reviews is to conduct a level of oversight and monitoring that allows the Housing Department to collect and provide accurate data on grant performance throughout the life cycle of a grant agreement for all agreements over \$25,000. This risk assessment model categorizes grantees on a risk-level spectrum ranging from low to high risk. Higher risk ratings and the total aggregate value of the grant agreement equate to a higher probability of non-compliance with applicable regulations.

Risk factors considered in a risk assessment include the following:

- Low to minimal experience managing government grants;
- Low to minimal experience administering grant-funded program(s)/project(s);
- Strict federal requirements such as the Community Development Block Grant program requirements;
- Results of prior monitoring visits;
- Grant awards that exceed \$1 million;
- Lead agencies representing multiple organizations in a consortium;
- Limited communication with the City; and
- Overall standing with the City.

## **ANALYSIS**

### ***Summary of Grant Monitoring and Compliance Review***

The **table** below is a summary of the grant monitoring and compliance review results for the FY 2021-2022 housing grant agreements during the PUN Group's most recent sample segment (44 grant agreements). Of the 44 grant agreements reviewed, two agreements were not monitored because the grant award amounts were \$25,000 or less and were deemed low risk. Forty-two grant agreements were monitored during this most recent review period and 39 grant agreement reviews (representing 24 organizations) resulted in material findings. Note, 11 additional grant agreements from FY 2021-2022 were previously reviewed under the former permanent Housing Director. These additional 11 grant agreements bring the total grant agreements reviewed from FY 2021-2022 by the PUN Group to 55, encompassing the totality of grant agreements administered by the Housing Department for the FY. The 11 grant agreements monitored during

a prior review period are not discussed or referenced elsewhere in this memorandum. Staff confirmed that appropriate actions were taken to address the 11 grant agreements initially reviewed.

Moreover, the Housing Department did not have the appropriate contracting policies and procedures in place in order to effectively and efficiently administer the grant agreements. The Housing Department is actively working to revise the appropriate contracting policies and procedures to effectively and efficiently administer the grant agreements and is working with impacted grantees to address deficiencies and prevent issues going forward. Accountability for all partners is a priority for the Housing Department.

***Grant Monitoring and Compliance Review Findings***

A material finding is a deficiency in internal controls and non-compliance with applicable regulations or contractual provisions. When a finding is made during a grant monitoring and compliance review, a compliance review letter is issued to the grantee, which allows the grantee 30 days to dispute the findings (by submitting an appeal), provide additional documentation, provide a corrective action plan, or submit repayment of any disallowed costs. A final decision on any grant monitoring and compliance review appeal is at the discretion of the Housing Director.

**Table – Summary of Grant Monitoring and Compliance Review Results**

Type of Finding Results	Examples of Finding Items	Grant Agreements
Internal Controls	Lack of procurement policies, missing or non-compliant record retention policies, missing or non-compliant Community Development Block Grant – COVID-19 required duplication of benefits review, providing services to non-eligible program participants, and the mandatory disclosure of fraud.	27
Reporting	Late budget and accounting workbooks and coversheets, and late submission of quarterly performance reports.	7
Potential Fiscal Remediation Revisions	Funding non-eligible participants.	5
No Findings	N/A	3
Not Monitored	Agreements of \$25,000 or less were considered low-risk and not monitored.	2
<b>Total: 44 Grant Agreements</b>		

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The United States Department of Housing and Urban Development's federal funding guidelines require a collection of supporting documentation to verify program qualifications. If supporting documentation is not available, the program participant is considered a non-eligible participant. Providing assistance to non-eligible program participants is a finding in a grant monitoring and compliance review.

### *Next Steps*

Over the coming months, the Housing Department will continue working with the PUN Group and impacted grantees to identify challenges in the next sample segment of monitoring and compliance review and develop corrective action plans. The Housing Department will extend the grant monitoring and compliance review to additional sample segments from FY 2021-2022 to the current term. In addition, a set of standard contracting policies and procedures for performance management of all grant agreements will be administered by the end of calendar year 2024.

The **Attachment** – Monitoring and Compliance Review Findings Identified for Fiscal Year 2021 - 2022 Housing Grant Agreements - outlines the findings identified for the remaining 44 grant agreements monitored by the PUN Group in the most recent grants monitoring and compliance review period.

### **COORDINATION**

This memorandum was coordinated with the City Attorney's Office and the City Manager's Budget Office.

/s/  
ERIK L. SOLIVAN  
Housing Director

For questions, please contact Rachel VanderVeen, Assistant Housing Director, at [rachel.vanderveen@sanjoseca.gov](mailto:rachel.vanderveen@sanjoseca.gov) or 408-535-8231.

**Attachment** – Monitoring and Compliance Review Findings Identified for Fiscal Year 2021-2022 Housing Grant Agreements

**Attachment**

**Monitoring and Compliance Review Findings Identified for Fiscal Year 2021-2022 Housing Grant Agreements**

**Table 1 – List of Acronyms Used in Attachment**

<b>Acronym</b>	<b>Definition</b>
ARPA	American Rescue Plan Act
CDBG	Community Development Block Grant
CDBG-CV	Community Development Block Grant – Coronavirus
ESG	Emergency Solutions Grants
ESG-CV	Emergency Solutions Grant – Coronavirus
HALA	Housing Authority Litigation Award
HHAP2	Homeless Housing Assistance and Prevention 2
HMIS	Homeless Management Information System
HOME	HOME Investments Partnership Program
HOME- TBRA	HOME - Tenant-Based Rental Assistance
HOPWA	Housing Opportunities for Persons with AIDS
HOPWA-CV	HOPWA - Coronavirus
H.R. 133	House Resolution 133
LMIHAF	Low and Moderate Income Housing Asset Fund

**Table 2 – Monetary Findings Identified for Fiscal Year 2021-2022 Housing Grant Agreements**

#	Agency	Funding Source	Grant Amount	Risk Level	Findings	Ineligible Costs
<b>Monetary Findings: Items 1-5</b>						
1	Habitat for Humanity	CDBG	\$2,725,000	High	<ul style="list-style-type: none"> <li>• Overstatement of payroll – Three of three months</li> <li>• Uncashed checks – Total amount between \$1,212.08 and \$1,381.55 in uncashed checks</li> <li>• Tardiness in submitting Quarterly Performance Reports – Two of the four reports were submitted past the due date described in the grant agreement</li> <li>• Missing support for payroll expenditures</li> </ul>	\$2,812
2	Next Door Solutions	HOME	\$901,742	High	<ul style="list-style-type: none"> <li>• Non-eligible program participants – Six of the six program participants did not have records to document domestic violence or compliance with the Violence Against Women Act</li> </ul>	\$80,862
3	First 5 Santa Clara County	CDBG/ Housing Trust Fund	\$2,000,000	High	<ul style="list-style-type: none"> <li>• Missing support for scholarship fund distribution – 12 of 18 program participants had insufficient supporting documentation</li> <li>• Non-eligible program participants receiving services – six of nine program participants did not meet “gap family” guidelines as stated in the grant agreement</li> <li>• Tardiness in submitting Reimbursement Requests and Quarterly Performance Reports – A total of six requests/reports had a late submission date</li> <li>• Missing support for Bank Reconciliations – Missing support for three months of the grant term</li> <li>• Missing support for Reimbursed Payroll Expenditure – Two of three employees were missing personnel records</li> </ul>	\$132,285

#	Agency	Funding Source	Grant Amount	Risk Level	Findings	Ineligible Costs
4	Destination: Home	General Fund	\$2,112,000	High	<ul style="list-style-type: none"> <li>• Non-eligible program participants – 13 of 25 program participants, 12 did not have documentation to support demonstrating a Coronavirus-19-related impact and one did not reside within San José city limits as required in the grant agreement</li> <li>• Tardiness in submitting one Reimbursement Request</li> </ul>	\$78,742
5	Bill Wilson Center	HOME-TBRA	\$1,560,000	High	<ul style="list-style-type: none"> <li>• Non-eligible program participants – Three of six program participants. One program participant lost employment unrelated to COVID-19. Two program participants did not reside within San José city limits as required in the grant agreement</li> <li>• Tardiness in submitting Reimbursement Requests – Two of three requests were submitted past the due date described in the grant agreement</li> <li>• Uncashed checks – A total of 26 checks were found uncashed or uncanceled</li> <li>• Missing support for program eligibility – Three of six households did not have documentation to support demonstrating a COVID-19-related impact</li> </ul>	\$33,751
					<b>ESTIMATED TOTAL</b>	<b>\$328,452</b>

**Table 3 – Non-Monetary Findings Identified for Fiscal Year 2021-2022 Housing Grant Agreements**

#	Agency	Funding Source	Grant Amount	Risk Level	Findings	Ineligible Costs
<b>Non-Monetary Findings: Items 6-44</b>						
6	Bill Wilson Center	ESG	\$130,000	High	<ul style="list-style-type: none"> <li>• Non-eligible program participants – One of five program participants was counted as a household served but did not receive services under the program</li> <li>• Uncashed checks – A total of 73 checks were found uncashed or uncanceled</li> <li>• Improperly issued a check of \$264 – Failure to report to the City. However, no impact was made to the award issued to the City</li> <li>• Tardiness in submitting Reimbursement Requests and Quarterly Performance Reports – A total of six requests/reports were submitted past the due date described in the grant agreement</li> <li>• Inaccuracy in updating HMIS data – One in 15 households reported did not receive services under the grant agreement</li> </ul>	N/A
7	Bill Wilson Center	HALA/ General Fund	\$1,600,000	High	<ul style="list-style-type: none"> <li>• Non-eligible program participants – One of nine households did not reside within San José city limits as required in the grant agreement</li> <li>• Inaccurate reporting to HMIS – Three of nine households reported did not receive services under the grant agreement</li> <li>• Tardiness in submitting Reimbursement Requests and Quarterly Performance Reports – A total of six requests/reports were submitted past the due date described in the grant agreement</li> <li>• Uncashed checks – A total of 54 checks were found uncashed or uncanceled</li> </ul>	N/A
8	Catholic Charities	CDBG-CV	\$154,477	High	<ul style="list-style-type: none"> <li>• Tardiness in submitting Reimbursement Requests – Two Reimbursement Requests were submitted past the due date described in the grant agreement</li> </ul>	N/A

#	Agency	Funding Source	Grant Amount	Risk Level	Findings	Ineligible Costs
9	County of Santa Clara	Housing Trust Fund/HALA/LMIHAF	\$1,100,000	Low	<ul style="list-style-type: none"> <li>Tardiness in submitting Reimbursement Requests – Two Reimbursement Requests were submitted past the due date described in the grant agreement</li> <li>Missing requested documentation support for monitoring process</li> </ul>	N/A
10	County of Santa Clara	HHAP2	\$1,500,000	Low	<ul style="list-style-type: none"> <li>Tardiness in submitting Reimbursement Requests and Quarterly Performance Reports – Six requests/reports were submitted past the due date described in the grant agreement</li> <li>Missing requested documentation support for monitoring process</li> </ul>	N/A
11	County of Santa Clara	HALA	\$2,000,000	Medium	<ul style="list-style-type: none"> <li>Tardiness in submitting Reimbursement Requests – Three of three Reimbursement Requests were submitted past the due date described in the grant agreement</li> <li>Missing requested documentation support for monitoring process</li> </ul>	N/A
12	Destination: HOME	Housing Trust Fund	\$125,000	Low	<ul style="list-style-type: none"> <li>Tardiness in submitting Reimbursement Requests and Quarterly Performance Reports – Five requests/reports were submitted past the due date described in the grant agreement</li> <li>Insufficient client data – Quarterly Performance Reports demonstrated insufficient client data</li> <li>Unsuccessful to meet performance requirements – Did not meet performance measures described in the grant agreement for quarters 3 and 4</li> </ul>	N/A
13	Destination: HOME	Measure E/ HHAP2	\$4,800,000	High	<ul style="list-style-type: none"> <li>Tardiness in submitting Reimbursement Requests and Quarterly Performance Reports – Three requests/reports were submitted past the due date described in the grant agreement</li> <li>Non-eligible program participants – 17 of 50 program participants were ineligible due to lack of documentation for loss of income or did not reside within San José city limits</li> </ul>	N/A

#	Agency	Funding Source	Grant Amount	Risk Level	Findings	Ineligible Costs
14	Destination: HOME	General Fund	\$200,000	High	<ul style="list-style-type: none"> <li>• Tardiness in submitting Reimbursement Requests and Quarterly Performance Reports – Six requests/reports were submitted past the due date described in the grant agreement</li> <li>• Lack of quality in client data – Client data in Quarterly Performance Reports did not provide enough data backup to confirm the reporting.</li> <li>• Unsuccessful to meet performance requirements – Three activities did not meet the performance measures described in the grant agreement</li> </ul>	N/A
15	Goodwill	ARPA	\$2,850,000	High	<ul style="list-style-type: none"> <li>• Tardiness in submitting Reimbursement Requests and Quarterly Performance Reports – Four requests/reports were submitted past the due date described in the grant agreement</li> <li>• Unsuccessful record retention – Unable to provide adequate supportive documentation for grant agreement’s activities</li> <li>• Unable to meet performance requirements – Two of seven activities did not meet performance measures</li> </ul>	N/A
16	Grace Solutions	Housing Trust Fund	\$100,000	Low	<ul style="list-style-type: none"> <li>• Tardiness in submitting Reimbursement Requests and Quarterly Performance Reports – Six requests/reports were submitted past the due date described in the grant agreement</li> </ul>	N/A
17	International Rescue Committee	CDBG	\$442,209	Medium	<ul style="list-style-type: none"> <li>• Tardiness in submitting Reimbursement Requests and Quarterly Performance Reports – Eight requests/reports were submitted past the due date described in the grant agreement</li> <li>• Uncashed checks – A total of one check was found uncashed or uncanceled</li> </ul>	N/A

#	Agency	Funding Source	Grant Amount	Risk Level	Findings	Ineligible Costs
18	JobTrain	CDBG	\$750,000	High	<ul style="list-style-type: none"> <li>• Tardiness in submitting Reimbursement Requests and Quarterly Performance Reports – Four requests/reports were submitted past the due date described in the grant agreement</li> <li>• Non-eligible program participants – 13 of 13 program participants were found ineligible due to lack of documentation of income</li> <li>• Unsuccessful record retention – Unable to provide intake documentation for two of 13 program participants</li> <li>• Unable to meet performance requirements – Three of the six activities described in the grant agreement were not met</li> </ul>	N/A
19	Law Foundation of Silicon Valley	CDBG-CV	\$1,178,404	High	<ul style="list-style-type: none"> <li>• Tardiness in submitting Reimbursement Requests – Three Reimbursement Requests were submitted past the due date described in the grant agreement</li> <li>• Indirect Cost Rate exceeded the agreed amount of 20%</li> <li>• Uncashed checks – A total of three checks were found uncashed or uncanceled</li> </ul>	N/A
20	Law Foundation of Silicon Valley	ARPA	\$1,400,000	High	<ul style="list-style-type: none"> <li>• Tardiness in submitting Reimbursement Requests – Three Reimbursement Requests were submitted past the due date described in the grant agreement</li> <li>• Uncashed checks – A total of three checks were found uncashed or uncanceled</li> </ul>	N/A
21	Law Foundation of Silicon Valley	CDBG/HOME	\$400,000	Low	<ul style="list-style-type: none"> <li>• Tardiness in submitting Reimbursement Requests – Two Reimbursement Requests were submitted past the due date described in the grant agreement</li> <li>• Indirect Cost Rate exceeded the agreed amount of 20%</li> <li>• Uncashed checks – A total of three checks were found uncashed or uncanceled</li> </ul>	N/A
22	Law Foundation of Silicon Valley	CDBG	\$475,115	Low	<ul style="list-style-type: none"> <li>• Tardiness in submitting one Reimbursement Request</li> <li>• Uncashed checks – A total of three checks were found uncashed or uncanceled</li> </ul>	N/A

#	Agency	Funding Source	Grant Amount	Risk Level	Findings	Ineligible Costs
23	LifeMoves	General Fund/HALA	\$2,000,000	Medium	<ul style="list-style-type: none"> <li>• Tardiness in submitting one Quarterly Performance Report</li> <li>• Uncashed checks – A total of one check was found uncashed or uncanceled</li> </ul>	N/A
24	PATH	ESG-CV	\$2,881,039	High	<ul style="list-style-type: none"> <li>• Tardiness in submitting Reimbursement Requests – Three Reimbursement Requests were submitted past the due date described in the grant agreement</li> <li>• Uncashed checks – A total of one check was found uncashed or uncanceled</li> </ul>	N/A
25	PATH	ESG/HALA	\$900,000	Medium	<ul style="list-style-type: none"> <li>• Tardiness in submitting Reimbursement Requests – Two Reimbursement Requests were submitted past the due date described in the grant agreement</li> <li>• Uncashed checks – A total of three checks were found uncashed or uncanceled</li> </ul>	N/A
26	POSSO	CDBG	\$118,000	Low	<ul style="list-style-type: none"> <li>• Tardiness in submitting Quarterly Performance Reports – Three Quarterly Performance Reports were submitted past the due date described in the grant agreement</li> <li>• Insufficient client data for three Quarterly Performance Reports</li> <li>• Procurement policy not implemented under Uniform Guidance</li> </ul>	N/A
27	Rebuilding Together	CDBG	\$1,100,000	Low	<ul style="list-style-type: none"> <li>• Tardiness in submitting Quarterly Performance Reports – Four Quarterly Performance Reports were submitted past the due date described in the grant agreement</li> </ul>	N/A
28	Sacred Heart	CDBG-CV	\$1,000,000	High	<ul style="list-style-type: none"> <li>• Tardiness in submitting Reimbursement Requests – Two Reimbursement Requests were submitted past the due date described in the grant agreement</li> <li>• Non-eligible program participants – Two of 25 households did not have documentation to support demonstrating a COVID-19-related impact</li> </ul>	N/A

#	Agency	Funding Source	Grant Amount	Risk Level	Findings	Ineligible Costs
29	Sacred Heart	H.R 133 Emergency Rental Assistance	\$12,305,942	High	<ul style="list-style-type: none"> <li>• Tardiness in submitting Reimbursement Requests – Three Reimbursement Requests were submitted past the due date described in the grant agreement</li> <li>• Unsuccessful record retention – Five of 25 program participants had inaccurate documentation supporting case management</li> </ul>	N/A
30	San Benito County	HOPWA	\$150,000	Medium	<ul style="list-style-type: none"> <li>• Tardiness in submitting Reimbursement Requests and Quarterly Performance Reports – A total of 12 requests/reports were submitted past the due date described in the grant agreement</li> <li>• Unable to provide financial documentation to monitor</li> </ul>	N/A
31	SJSU Research Foundation	CDBG	\$50,000	Low	<ul style="list-style-type: none"> <li>• Unable to verify program participant’s income</li> </ul>	N/A
32	SOMOS-Mayfair	CDBG	\$150,000	Low	<ul style="list-style-type: none"> <li>• Tardiness in submitting Reimbursement Requests and Quarterly Performance Reports – Five requests/reports were submitted past the due date described in the grant agreement</li> </ul>	N/A
33	The Health Trust	General Fund	\$130,000	Low	<ul style="list-style-type: none"> <li>• Tardiness in submitting Quarterly Performance Reports – Four Quarterly Performance Reports were submitted past the date described in the grant agreement</li> <li>• No policy found for uncashed or uncanceled checks</li> </ul>	N/A
34	The Health Trust	HOPWA/ HOPWA-CV	\$140,108	Low	<ul style="list-style-type: none"> <li>• Tardiness in submitting Reimbursement Requests and Quarterly Performance Reports – 10 requests/reports were submitted past the date described in the grant agreement</li> </ul>	N/A
35	The Health Trust	HOPWA	\$1,456,803	Low	<ul style="list-style-type: none"> <li>• Tardiness in submitting Reimbursement Requests – Two Reimbursement Requests were submitted past the date described in the grant agreement</li> <li>• Unsuccessful in meeting grant agreement’s performance requirements – Two of five activities were not met during the grant term</li> </ul>	N/A

#	Agency	Funding Source	Grant Amount	Risk Level	Findings	Ineligible Costs
36	The Health Trust	CDBG	\$125,000	Low	<ul style="list-style-type: none"> <li>• Tardiness in submitting one Quarterly Performance Report</li> <li>• Unsuccessful in providing client data in Quarterly Performance Reports</li> <li>• No policy found for uncashed or uncanceled checks</li> </ul>	N/A
37	We Hope	Housing Trust Fund	\$500,000	Low	<ul style="list-style-type: none"> <li>• Tardiness in submitting Reimbursement Requests and Quarterly Performance Reports – Six requests/reports were submitted past the date described in the grant agreement</li> <li>• Financial Statement Audit – Schedule of Status of Prior Audit Finding implemented</li> <li>• Procurement Policy not implemented under Uniform Guidance</li> </ul>	N/A
38	West Valley Community Services	Housing Trust Fund	\$50,000	Low	<ul style="list-style-type: none"> <li>• Tardiness in submitting Reimbursement Requests and Quarterly Performance Reports – Five requests/reports were submitted past the date described in the grant agreement</li> </ul>	N/A
39	YWCA	HALA	\$50,265	Low	<ul style="list-style-type: none"> <li>• Tardiness in submitting Reimbursement Requests and Quarterly Performance Reports – Seven requests/reports were submitted past the date described in the grant agreement</li> </ul>	N/A
40	Pulse for Good	Housing Trust Fund	\$42,000	Low	<ul style="list-style-type: none"> <li>• No findings were made</li> </ul>	N/A
41	HomeFirst	CDBG/HALA/ Housing Trust Fund	\$900,000	High	<ul style="list-style-type: none"> <li>• No findings were made</li> </ul>	N/A
42	SJSU Research Foundation	General Fund	\$105,000	Low	<ul style="list-style-type: none"> <li>• No findings were made</li> </ul>	N/A
43	Hunger at Home	Housing Trust Fund	\$25,000	Low	<ul style="list-style-type: none"> <li>• Not monitored due to low-risk assessment and grant amount of \$25,000 or less.</li> </ul>	N/A
44	Catalyze SV	General Fund	\$5,000	Low	<ul style="list-style-type: none"> <li>• Not monitored due to low-risk assessment and grant amount of \$25,000 or less.</li> </ul>	N/A