

THE GRACE NETWORK

Audit Report

PROPOSITION 47 SAFE NEIGHBORHOODS AND SCHOOLS FUND GRANTS PROGRAM

July 1, 2016, through June 30, 2018



BETTY T. YEE
California State Controller

June 2019



BETTY T. YEE
California State Controller

June 28, 2019

Chris Stambaugh, Executive Director
The Grace Network
P.O. Box 15131
Sacramento, CA 95851

Dear Mr. Stambaugh:

The State Controller's Office conducted an audit of Proposition 47 Safe Neighborhoods and Schools Fund grant expenditures claimed by The Grace Network for the period of July 1, 2016, through June 30, 2018.

If you have any questions, please contact Andrew Finlayson, Chief, State Agency Audits Bureau, by telephone at (916) 324-6310, or by email at afinlayson@sco.ca.gov.

Sincerely,

Original signed by

JIM L. SPANO, CPA
Chief, Division of Audits

JLS/as

cc: Christie Munson, Deputy Executive Officer
California Victim Compensation Board
Julie Nauman, Executive Officer
California Victim Compensation Board
Robin Foemmel Bie, Assistant Deputy Executive Officer
California Victim Compensation Board
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California Victim Compensation Board
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Audit Report

Summary

The State Controller's Office (SCO) conducted an audit of Proposition 47 Safe Neighborhoods and Schools Fund (SNSF) grant expenditures claimed by The Grace Network (TGN) for the period of July 1, 2016, through June 30, 2018. The purpose of the audit was to ensure that funds were disbursed and expended in accordance with program guidelines and grant requirements, and as required by Government Code (GC) sections 7599.2(c) and 12410.

The purpose of the Proposition 47 SNSF grant is to award funding for trauma recovery centers to provide services to crime victims. The Proposition 47 SNSF grant was awarded to TGN through California Victim Compensation Board (CalVCB) Grant Agreement No. VC-G6130, pursuant to GC section 7599.2(2).

We verified that during the period of July 1, 2016, through June 30, 2018, CalVCB awarded TGN with \$733,333 in Proposition 47 SNSF grant funds. For the same period, TGN's claimed grant expenditures were \$667,423, comprised of \$604,294 in allowable costs and \$63,129 that was adjusted and/or disallowed by CalVCB. The unallowable costs occurred primarily because the grant expenditures claimed were not expended in compliance with the grant agreement and/or approved budget and established criteria (see the Schedule).

Our audit found that TGN did not comply with the multidisciplinary staffing provisions as specified in the grant agreement, program requirements, and established criteria. Specifically, no psychologists were employed during the grant term to provide mental health services to crime victims, as required by law. In addition, the staff psychiatrist at TGN worked only from December 2016 through October 2017, instead of during the entire grant period from September 1, 2016, through June 30, 2018.

Except as noted above, TGN grant expenditures claimed were in compliance with applicable laws, regulations, program guidelines, and the grant agreement.

Background

Proposition 47 – Safe Neighborhoods and Schools Fund

On November 4, 2014, California voters approved Proposition 47, which reduces penalties for certain offenders convicted of non-serious and nonviolent property and drug crimes. It also allows some offenders to apply for reduced sentences. Proposition 47 established the Safe Neighborhoods and Schools Fund, which is funded by savings that accrue to the State from the implementation of the measure. This mandate is expected to save significant state corrections dollars annually.

Savings resulting from Proposition 47 are transferred to the Safe Neighborhoods and Schools Fund to support truancy reduction and drop-out prevention programs, increase victim services grants, and support substance-abuse and mental health treatment services.

The Grace Network

TGN is a non-profit organization located in Sacramento County. It was established to provide support and services for youth and families affected by human trafficking, physical assault, rape, homicide, domestic violence, sexual assault, shooting, stabbing, vehicular assault, and other crimes. On September 1, 2016, TGN was awarded a Proposition 47 SNSF grant of \$733,333 through CalVCB Grant Agreement No. VC-G6130 to provide services to crime victims as stipulated in GC section 13963.1.

Audit Authority

The legal authority to conduct this audit is provided by GC section 7599.2(c), which requires the Controller, every two years, to conduct an audit of the Proposition 47 SNSF Grants Program operated by the California Department of Education, CalVCB, and the Board of State and Community Corrections “to ensure the funds are disbursed and expended solely according to this chapter and shall report his or her findings to the Legislature and the public.”

In addition, GC section 12410 states:

The Controller shall superintend the fiscal concerns of the state. The Controller shall audit all claims against the state, and may audit the disbursement of any state money, for correctness, legality, and for sufficient provisions of law for payment.

Objective, Scope, and Methodology

The objective of our audit was to determine whether TGN adequately accounted for claimed grant expenditures, and to ensure that Proposition 47 funds were disbursed and expended in compliance with applicable laws, regulations, program guidelines, and grant agreement requirements during the period of July 1, 2016, through June 30, 2018.

To achieve our objective, we:

- Identified the Proposition 47 SNSF Grants Program background, criteria, purpose, and requirements by reviewing the fiscal year (FY) 2016-17 and FY 2017-18 Governor’s Budget, GC sections 7599 through 7599.2, and the California Department of Finance fund classification and basis for the Safe Neighborhoods and Schools Fund;
- Reviewed grant files, the grant agreement, and program guidelines;
- Reviewed claimed grant expenditures and performed analytical procedures to identify material cost components of each claim, any errors, and any unusual or unexpected variances;
- Interviewed TGN key personnel, completed the internal control questionnaire, and performed a walkthrough to gain a general understanding of TGN’s internal controls such as procedures performed by staff during the grant expenditures claim-preparation, review, approval, and reporting processes; and recording and tracking of the grant expenditures in the entity’s financial management system;

- Assessed TGN's key internal controls over grants expenditure reporting; reviewed policies and procedures, guidelines, and grant agreements to ensure that TGN properly prepared grant expenditure reports and invoices and that invoices were supported by financial and accounting records, such as timesheets, payroll records, cancelled checks, and bank statements; and determined whether expenditures were in compliance with applicable laws, regulations, program guidelines, and grant agreements; and
- Judgmentally selected a sample of grant expenditures claimed by TGN during the audit period and tested sampled transactions to ensure that costs were eligible, allowable, reasonable, and adequately supported by financial and accounting records; did not exceed the grant agreement approved budget; and were in compliance with grant agreements and applicable requirements.

We did not examine TGN's information systems controls or the economy, efficiency, or effectiveness of the program. Our audit of the program requirements was related solely to program expenditures as required by GC section 7599.2(c).

We did not audit TGN's financial statements. We limited our audit scope to planning and performing audit procedures necessary to achieve our audit objective. In addition, our review of internal controls was limited to gaining an understanding of the transaction flows, grant expenditures claim-preparation process and the financial management accounting system, and performing limited tests of controls regarding TGN's financial management system ability to accumulate and segregate reasonable and allowable program costs.

We conducted this performance 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 based on our audit objective.

Conclusion

Our audit found that TGN did not comply with the multidisciplinary staffing provisions as specified in the grant agreement, program requirements, and established criteria. Specifically, no psychologists were employed during the grant term to provide mental health services to crime victims, as required by law. In addition, the staff psychiatrist at TGN worked only from December 2016 through October 2017, instead of during the entire grant period from September 1, 2016, through June 30, 2018.

Except as noted above, TGN grant expenditures claimed were in compliance with applicable laws, regulations, program guidelines, and the grant agreement.

**Follow-up on
Prior Audit
Findings**

In 2018, we conducted an audit of CalVCB's Proposition 47 SNSF grants program and issued a final report on May 23, 2019. Based on this audit, we found that CalVCB reimbursed TGN \$6,102 in expenditures that were unallowable under the terms of CalVCB Grant Agreement No. VC-G6130. After a follow-up, we verified that CalVCB had fully implemented the SCO's recommendation by offsetting expenditures identified as unallowable against subsequent invoices submitted by TGN.

**Views of
Responsible
Officials**

We issued a draft audit report on June 5, 2019. Chris Stambaugh, Executive Director, responded by letter dated June 14, 2019 (Attachment), agreeing with the audit results. This final audit report includes TGN's response.

Restricted Use

This audit report is intended solely for the information and use of TGN, CalVCB, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this audit report, which is a matter of public record, and is available on the SCO website at www.sco.ca.gov.

Original signed by

JIM L. SPANO, CPA
Chief, Division of Audits

June 28, 2019

Schedule—
Summary of Grant Awards, Amounts Expended and
Disbursed, and Audit Adjustments¹
July 1, 2016, through June 30, 2018

Cost Elements	SNSF Grant Awarded	SNSF Grant Expenditure Claimed	SNSF Grant Disbursed	Audit Adjustments
<u>July 1, 2016, through June 30, 2017</u>				
Grant Awarded	\$ 733,333			
Program Costs:				
Salaries and Wages		\$ 215,000	\$ 215,000	\$ -
Fringe Benefits		-	-	-
Client Services		34	34	-
Rent/Property Tax		14,894	14,894	-
Utilities/Maintenance		7,939	7,939	-
Communication		6,466	6,466	-
Office Supplies		6,775	6,775	-
Outreach		6,999	6,999	-
Contract Services		28,000	28,000	-
Total program costs		<u>\$ 286,106</u>	<u>\$ 286,106</u>	<u>\$ -</u>
Less amount disallowed by CalVCB ²			(18)	
Total for FY 2016-17			<u>\$ 286,088</u>	
<u>July 1, 2017, through June 30, 2018</u>				
Program Costs:	\$ -			
Salaries and Wages		\$ 248,399	\$ 248,399	\$ -
Fringe Benefits		-	-	-
Client Services		2,123	2,123	-
Rent/Property Tax		15,734	15,734	-
Utilities/Maintenance		9,800	9,800	-
Communication		9,795	9,795	-
Office Supplies		16,649	16,649	-
Outreach		9,888	9,888	-
Contract Services		16,935	16,935	-
Other		51,994	51,994	-
Total program costs	<u>\$ 733,333</u>	<u>\$ 381,317</u>	<u>\$ 381,317</u>	<u>\$ -</u>
Less amount disallowed by CalVCB ²			(63,111)	
Total for FY 2017-18			<u>\$ 318,206</u>	
Grand Total ²	<u>\$ 733,333</u>	<u>\$ 667,423</u>	<u>\$ 604,294</u>	<u>\$ -</u>

¹ Numbers rounded to the nearest whole dollar.

² For the period of July 1, 2016, through June 30, 2018, CalVCB awarded TGN with \$733,333 in Proposition 47 SNSF grant funds. For the same period, TGN's claimed grant expenditures were \$667,423 comprised of \$604,294 in allowable costs and \$63,129 that was adjusted and/or disallowed by CalVCB. The unallowable costs occurred primarily because the grant expenditures claimed were not expended in compliance with the grant agreement and/or approved budget and established criteria.

Finding and Recommendation

FINDING— Non-compliance with established criteria

TGN did not comply with the multidisciplinary staffing provisions as specified in the grant agreement, program requirements, and established criteria. Specifically, no psychologists were employed during the grant term to provide mental health services to crime victims, as required by law. In addition, the staff psychiatrist worked only from December 2016 through October 2017, instead of during the entire grant period from September 1, 2016, through June 30, 2018.

TGN did not comply with CalVCB Grant Agreement No. VC-G6130 and applicable laws and regulations.

CalVCB Grant Agreement No. VC-G6130 – Section I: Scope of Work states, in part:

The Grace Network, herein after referred to as the Awardee, shall...Create a comprehensive trauma recovery center (TRC) for victims of violent crime that includes the following:

1. Mental Health Services:

The Awardee will have the in-house staff necessary to perform counseling, psychological assessments, and provide Psychiatric services to victims who seek treatment and resources.

GC section 13963.1(h)(5) states:

For purposes of this section, a trauma recovery center provides, including, but not limited to, all of the following resources, treatments, and recovery services to crime victims....A multidisciplinary staff of clinicians that includes psychiatrists, psychologists, and social workers, and may include case managers and peer counselors.

GC section 13963.2 states:

All Trauma Recovery Centers funded through the Restitution Fund or Safe Neighborhoods and Schools Fund shall do all of the following:

(d) Be comprised of a staff that includes a multidisciplinary team of clinicians made up of at least one psychologist, one social worker, and additional staff. Clinicians are not required to work full time as a member of the multidisciplinary team. At least one psychiatrist shall be available to the team to assist with medication management, provide consultation, and assist with treatment to meet the clinical needs of the victim. The psychiatrist may be on staff or on contract.

Recommendation

We recommend that TGN comply with the specific terms of its grant agreement and applicable laws and regulations.

TGN's Response

TGN agreed with the Finding and Recommendation (see TGN's response to the draft audit report).

**Attachment—
The Grace Network's
Response to Draft Audit Report**



REBUILD. RESTORE. RENEW.

Friday, June 14th, 2019

To Whom It May Concern:

We, GraceCity (formerly The Grace Network), agree with the finding and recommendation found on page #6 of the State Controller's draft report and request to include this justification of the findings below:

I, Chris Stambaugh, was advised by CalVCB's TRC grant manager, Scott Harris, that a psychologist and psychiatrist could be utilized on an "as needed" basis when I learned that the Stockton TRC was referring out for these services and did not have someone in-house for their TRC program. Because we served a younger demographic (13 to 30-years-old) at GraceCity – compared to the other TRC's – we didn't have the need for psychological assessments by a psychologist or medication prescriptions from a psychiatrist over the course of the grant period. GraceCity's social workers (LCSW and LMFT) and case managers (youth advocates) were sufficient for our population's case management, counseling, and therapy needs.

Regarding GraceCity's psychiatrist, he transitioned from our in-house team in fall of 2017 as we felt some funds we had allocated for this role could be better budgeted for a part-time Director of Operations position to help steward the significant administrative responsibilities of the TRC program. To put it simply, I personally needed more help as I was managing everything related to the TRC program and there were significant issues working with the state from the beginning (miscommunication, delay of funds, lack of clarity, database errors, conference call issues, and tension between CalVCB and the San Francisco TRC). Eventually, after some time went by, I was told by CalVCB we couldn't hire an additional admin position to help with the TRC program, which was unfortunate as I was led to believe we could. We didn't rehire the psychiatrist position in-house and decided to utilize one on an "as needed" basis. The need for psychiatry services did not arise for the remainder of the grant period. We were not advised by CalVCB to rehire our psychiatrist position. I confirmed numerous times we only needed to utilize one on an "as needed" basis.

CalVCB continued to fund GraceCity and we were never informed that we were out of legal compliance by not having an in-house psychologist and psychiatrist. We were only encouraged to have these two roles identified in the community. Our intent was to connect clients to Heritage Oaks, a mental health facility not far from GraceCity for psychology and psychiatry services when our population needed these services.

Sincerely,

Chris Stambaugh
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