



The State Bar of California

OPEN SESSION

AGENDA ITEM 5.1

FEBRUARY 2024

LSTFC HOMELESSNESS PREVENTION FUNDS COMMITTEE

DATE: February 26, 2024

TO: Members, LSTFC Homelessness Prevention Funds Committee

FROM: Jennifer Zelnick, Senior Program Analyst, Office of Access & Inclusion

SUBJECT: Action on Coalition of California Welfare Rights Organizations' 2021–2024 Homelessness Prevention (HP 3) Formula Grant

EXECUTIVE SUMMARY

State Bar staff (staff) discovered problems with Coalition of California Welfare Rights Organizations' (CCWRO's) 2021–2023 Homelessness Prevention (HP 2) formula and HP 3 formula grants expenditure and services reports. State Bar staff (staff) provided extensive technical assistance to CCWRO and explained what actions it must perform to satisfy concerns about CCWRO's HP 2 and HP 3 formula expenditures and services. On December 13, 2023, the Legal Services Trust Fund Commission mandated CCWRO to comply with several requirements and submit specific deliverables to ensure CCWRO's full compliance with federal grant requirements. This memo describes staff's review of CCWRO's deliverables for the Committee meeting on February 26, 2024.

BACKGROUND

Staff identified significant problems with CCWRO's HP 2 and 3 formula grants through CCWRO's May 19, 2023, monitoring visit, the review of HP 2 services data, and the desk review of CCWRO's HP 3 formula grant. Specifically, staff found that CCWRO was billing work to its HP 2 and 3 formula grants as if they were the same award, without segregating time or activities by grant. CCWRO also billed both grants for nonqualifying activities. Additionally, CCWRO did not keep time-by-fund records for these grants and could not demonstrate why it billed a certain amount of employee time to each of its grants. As a result, staff and the Committee were

concerned that CCWRO remained noncompliant with some federal requirements for its HP 3 formula grant.

Staff provided extensive technical assistance to CCWRO to try to help CCWRO resolve these issues and bring its HP 3 formula grant into compliance. On October 20, 2023, the Homelessness Prevention Funds Committee passed the following resolution to ensure CCWRO complied with all federal requirements:

RESOLVED, that the Legal Services Trust Fund Commission (LSTFC) Homelessness Prevention Funds Committee (Committee) approves requiring Coalition of California Welfare Rights Organizations (CCWRO) to revise its 2021–2024 homelessness prevention (HP 3) formula grant on the quarter seven expenditure report due October 31, 2023, to reflect its actual expenditures; and it is

FURTHER RESOLVED, that if CCWRO fails to revise its HP 3 formula grant completely, accurately, and on time by the October 31, 2023, deadline, that the Committee recommends that the LSTFC require CCWRO to return any disallowed costs from its HP 3 formula grant award, as defined in staff’s memo dated October 20, 2023.

Following the October 20, 2023, Committee meeting, staff communicated with CCWRO to ensure it understood what documentation was required by October 31, 2023, and to offer additional technical assistance. CCWRO did not accept staff’s offer for additional technical support at that time. While CCWRO submitted a revised HP 3 spend down plan and its quarter seven expenditures report by the October 31 deadline, it failed to submit documentation needed to substantiate the quarter seven expenditures report. CCWRO submitted the remaining materials one business day before the LSTFC’s meeting on November 9, 2023.

Staff informed the LSTFC on November 9, 2023, that it could not confirm whether CCWRO’s 2022 HP 3 costs were allowed because staff did not have time to analyze the overdue materials prior to the LSTFC meeting. During the meeting, the LSTFC charged staff with analyzing CCWRO’s late materials. Upon review of CCWRO’s late materials, staff found that CCWRO’s 2022 expenditures were considered allowable, but staff remained concerned about CCWRO’s internal controls. As a result, on December 13, 2023, the LSTFC passed the following resolution to ensure CCWRO complied with all federal grant requirements:

RESOLVED, that the Legal Services Trust Fund Commission (LSTFC) determines that the materials submitted by Coalition of California Welfare Rights Organizations (CCWRO) confirm its 2022 expenditures are now considered allowable and as such CCWRO is not required to return any 2021–2024 Homelessness Prevention (HP 3) formula funds from 2022; and it is

FURTHER RESOLVED, that the LSTFC requires CCWRO to meet with commissioners, staff, and CCWRO’s Board President to discuss issues related to CCWRO’s HP 3 formula grant quality and internal controls; and it is

FURTHER RESOLVED, that the LSTFC requires CCWRO to participate in a second HP 3 desk review in 2024; and it is

FURTHER RESOLVED, that the LSTFC requires CCWRO to revise its HP 3 formula grant on the quarter 8 expenditure report due January 31, 2024, to reflect its actual expenditures through 2023; and it is

FURTHER RESOLVED, that the LSTFC requires CCWRO to provide accurate and complete remaining supporting documentation (staff timesheets, allocation reports, and accounting reports) for 2023 to staff by January 31, 2024; and it is

FURTHER RESOLVED, that the LSTFC requires CCWRO to submit a revised spend down plan and a budget revision request for its HP 3 formula funding from January 1, 2024–December 31, 2024, to staff by January 31, 2024.

DISCUSSION

On January 11, 2024, commissioners and staff met with CCWRO and the CCWRO Board President to discuss issues related to CCWRO's HP 3 formula grant, as well as its quality and internal controls. The next day, staff met with CCWRO to provide additional technical assistance to ensure CCWRO could submit all required deliverables by the January 31, 2024, deadline.

CCWRO submitted its HP 3 quarter eight expenditure report, timesheets, allocation reports, accounting reports, revised HP 3 spend down plan, and HP 3 budget revision request by the January 31, 2024, deadline. However, upon review, staff discovered numerous problems with CCWRO's submitted materials. First, CCWRO's HP 3 quarter eight expenditure report only captures its spending in year two, and excludes its year one spending, which inaccurately represents CCWRO's spending to-date. Additionally, CCWRO's allocation reports do not adjust their expenditures to actual activity. Instead, their expenses in the expenditure report and budget revision are based on budget. The Code of Federal Regulations (CFR) requires HP 3 expenditures to reflect actual activity. As a result, CCWRO underreported unspent funds by \$7,242.

In addition to the above deliverables required to ensure CCWRO complies with all federal grant requirements, the LSTFC required CCWRO to submit a revised spend down plan and a budget revision request to ensure CCWRO satisfied State Bar quality control standards. CCWRO's HP 3 budget revision request and revised spend down plan reflect a 22.9 percent revision. According to the LSTFC's Functional Matrix, staff may review and approve requests that are between 10 and 25 percent of the total award. However, staff cannot approve CCWRO's revision request because the documents underreported CCWRO's unspent funds and therefore do not reflect CCWRO's actual spending.

CONCLUSION

Although CCRWO submitted all required deliverables by the January 31, 2024, deadline, it failed to revise its HP 3 formula grant to reflect accurate expenditures. Therefore, CCWRO remains noncompliant with federal grant requirements. Additionally, CCWRO's inaccurate HP 3 quarter eight expenditure report suggests that CCWRO still lacks sufficient internal and quality controls. Under 2 CFR 200.208, if the State Bar determines that a grantee receiving federal funds has failed to comply with grant conditions, the State Bar can impose additional conditions on the grantee to secure compliance. These conditions may include requiring payments as reimbursements; requiring additional, more detailed financial reports; requiring additional project monitoring; requiring the grantee to obtain technical or management assistance; and establishing additional prior approvals. 2 CFR 200.208(c)(1)–(6). Because CCWRO's allocation reports do not adjust their expenditures to actual activity, staff recommend requiring CCWRO to receive its remaining HP 3 formula funds through monthly reimbursement payments, in accordance with 2 CFR 200.208, until it satisfies all of the below conditions:

- CCWRO must submit monthly allocation worksheets and staff time sheets in order to receive its remaining HP 3 formula funds via monthly reimbursement until it complies with all federal requirements.
- CCWRO must make necessary corrections to its HP 3 quarter 9 expenditure reports (due on April 26, 2024, for all grantees), reflecting all necessary adjustments from calendar years 2022, 2023, and 2024.
- CCWRO must revise its supporting documentation (allocation reports and accounting reports) through March 31, 2024, to reflect its actual expenditures.
- CCWRO must submit staff time sheets for January 1, 2024–March 31, 2024.
- CCWRO must participate in a second HP 3 desk review in 2024 to ensure it remains in compliance.

The Committee will evaluate the above materials at its May 20, 2024, meeting to determine if CCWRO has come into compliance by correcting its expenditure report and adjusting its allocation and accounting reports to reflect actual expenditures. If CCWRO comes into compliance, the Committee will recommend the LSTFC to promptly provide CCWRO with its remaining HP 3 formula grant allocation as a lump sum payment, removing the requirement for CCWRO to submit monthly allocation worksheets and staff time sheets in order to receive monthly reimbursements. Conversely, under 2 CFR 200.339, if the State Bar subsequently determines that the noncompliance cannot be remedied by those additional conditions, the State Bar may take further steps as appropriate, including disallowing funds, withholding cash payments pending correction of the deficiency, or wholly suspend or terminate the award.

Additionally, staff does not approve CCWRO's budget revision request and spend down plan, and recommends the Committee require CCWRO to revise these materials to match CCWRO's actual expenditures. The revised budget revision request and spend down plan must match CCWRO's total HP 3 formula grant expenditures. After the grant period ends on December 31, 2024, CCWRO and all HP 3 grantees will be required to return any unspent funds.

RECOMMENDATIONS

Should the Committee concur with staff's proposal, passage of the following resolution is recommended:

RESOLVED, that the Legal Services Trust Fund Commission (LSTFC) Homelessness Prevention Funds Committee (Committee) determines that the materials submitted by Coalition of California Welfare Rights Organizations (CCWRO) do not satisfy the resolution passed by the LSTFC on December 13, 2023, and CCWRO remains noncompliant with all federal grant requirements.

FURTHER RESOLVED, that the Committee recommends requiring CCWRO to submit allocation reports and staff time sheets each month beginning with January 2024 in order to receive its remaining 2021–2024 Homelessness Prevention (HP 3) formula funds through monthly reimbursement. CCWRO must receive its remaining HP 3 formula funds through reimbursement until the Committee finds that CCWRO has complied with the below requirements; and it is

FURTHER RESOLVED, that the LSTFC requires CCWRO to revise its HP 3 formula grant on the quarter 9 expenditure report due April 26, 2024, to reflect its actual expenditures through March 31, 2024; and it is

FURTHER RESOLVED, that the LSTFC requires CCWRO to provide revised, accurate, and complete allocation reports and accounting reports through March 31, 2024, to staff by April 26, 2024; and it is

FURTHER RESOLVED, that the LSTFC requires CCWRO to submit a revised spend down plan and a budget revision request for its HP 3 formula funding from January 1, 2024–December 31, 2024, to staff by April 26, 2024; and it is

FURTHER RESOLVED, that the LSTFC requires CCWRO to participate in a second HP 3 desk review in 2024.