



The State Bar of California

OPEN SESSION

AGENDA ITEM 4.5

JUNE 2024

LEGAL SERVICES TRUST FUND COMMISSION

DATE: June 21, 2024

TO: Members, Legal Services Trust Fund Commission (LSTFC)

FROM: Members, LSTFC Homelessness Prevention Funds Committee

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 expenditures and services reports. Staff provided extensive technical assistance to CCWRO and explained what actions it must perform to satisfy concerns about its HP 2 and HP 3 Formula expenditures and services. On December 13, 2023, and again on March 29, 2024, the LSTFC mandated CCWRO to comply with several requirements and submit specific deliverables to ensure its full compliance with federal grant requirements. This memo describes the Homelessness Prevention Funds Committee's (committee's) recommendations regarding CCWRO's HP 3 Formula grant for the LSTFC meeting on June 21, 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, the committee, and the LSTFC 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 it resolve these issues and bring its HP 2 and 3 Formula grants into compliance. Additionally, the committee, the LSTFC, and the Eligibility and Budget Review Committee have discussed CCWRO's HP 3 compliance concerns on multiple occasions. Attachment A details previous committee and LSTFC meetings to address compliance concerns related to CCWRO's HP 3 Formula grant.

DISCUSSION

On March 29, 2024, 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) do not satisfy the resolution passed by the LSTFC on December 13, 2023, and CCWRO remains noncompliant with federal grant requirements; and it is

FURTHER RESOLVED, that the LSTFC requires 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 LSTFC 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 nine 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.

On May 20, 2024, the committee discussed staff's ongoing concerns and questioned costs related to the materials CCWRO submitted by the April 26, 2024, deadline. Specifically,

CCWRO's time sheets were inaccurate and reflected budgeted (or formulaic) rather than actual time. Staff also informed the committee that it had requested additional supporting documentation from CCWRO to finalize the calculation of questioned costs, due May 24, 2024.

The committee passed the following resolution on May 20, 2024:

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 March 29, 2024, and CCWRO remains noncompliant with federal grant requirements; and it is

FURTHER RESOLVED, that the Committee recommends continuing to require CCWRO to submit allocation reports and staff time sheets each month 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; and it is

FURTHER RESOLVED, that the analysis staff has conducted, in addition to staff's ongoing review of reimbursement expenditures satisfies the LSTFC requirement for CCWRO to participate in a second HP 3 desk review in 2024.

CCWRO submitted all requested materials by May 24, 2024. Staff recalculated and validated the Homelessness Prevention Attorney's allocation based on actual time worked and by calculating holiday time. However, the Executive Director's and Directing Attorney's time sheets remain formulaic and are not based on actual time and effort spent on the grant. The Executive Director's and Directing Attorney's time sheets therefore still fail to comply with the grant conditions as required in 2 CFR 200.430(i)(1), which states "(1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must: (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated." The committee therefore recommends disallowing the Executive Director's and Directing Attorney's expenditures, which equals \$53,172. Because CCWRO was unable to provide accurate supporting documentation for the expenses of the Executive Director and the Directing Attorney, the committee recommends CCWRO apply a ten percent de minimis indirect cost calculation to recoup a portion of these expenses as allowed in 2 CFR 200.414(f).

In addition to recommending disallowing two of CCWRO's employees' expenses, staff identified problems with other line items for individual months. Specifically, staff questioned costs for several months of employee benefits, space, equipment rental, office supplies, telecommunications, technology, training, travel, library, insurance, and contract services to the organization. Some of these costs, such as office supplies and contract services to the organization, appear to be miscategorized. For example, CCWRO has included many administrative non-personnel expenses such as accounting services, bank services charges, payroll fees, and tax and license fees under the office supplies and contract services to clients

categories. Other costs require further explanation or reflect categories of expenditures not included in CCWRO's grant budget.

Staff contacted CCWRO to provide additional technical assistance and try to resolve these questioned costs ahead of the posting deadline for the June 13, 2024, committee meeting. CCWRO's accountant was out of the office and could not provide further clarification regarding these expenditures. However, staff met with CCWRO's Executive Director and Directing Attorney on June 5, 2024, to review staff's initial findings and answer CCWRO's questions. Staff met with CCWRO's Executive Director and accountant on June 13, 2024, and will meet again before the LSTFC meeting. Once the outstanding questions related to these expenditures are clarified with the accountant, there may be changes to the calculations that staff have made. CCWRO must categorize expenditures correctly, and certain costs, like program travel, must be disallowed because they cannot be supported. As of June 13, 2024, the committee recommends disallowing \$75,209 in both personnel and non-personnel costs, inclusive of the \$53,172 in disallowed personnel costs for the Executive Director's and Directing Attorney's expenditures. Staff will finalize this recommendation, which may increase or decrease depending on clarification from CCWRO, to the LSTFC at its June 21, 2024, meeting.

The table below summarizes the HP 3 expenditures reported by CCWRO and staff's review of the expenditures and the documentation provided to support the expenses charged to the HP 3 grant. Column B are the expenditure worksheets CCWRO submitted to demonstrate its allocation methodology for its HP 3 expenditures. Column C summarizes the HP 3 expenditures that appear on CCWRO's general ledger from CCWRO's accounting system. In multiple non-personnel categories, there are discrepancies (highlighted in yellow) between the two submitted items. Staff used the official general ledger numbers for its analysis of the expenditures. Column D shows the HP 3 expenditures that staff deem allowable because they have supporting documentation to validate the expenditures. Column E is the amount of expenditures that the committee recommends disallowing because they are not supported.

Table 1. Staff's Analysis of CCWRO's Disallowed HP 3 Formula Costs for 2021–2023

Column A	Column B	Column C	Column D	Column E
Category	Dec 21 - Dec 23 CCWRO's HP 3 Expenditures Per the Submitted Allocation Worksheets	Dec 21 - Dec 23 CCWRO's HP 3 Expenditures Per the Submitted General Ledger	Dec 21 - Dec 23 Allowed HP3 Expenditures	Dec 21 - Dec 23 Disallowed HP 3 Expenditures
Personnel				
Total Salary	\$ 162,180	\$ 167,034	\$ 113,862	\$ 53,172
Employee Benefits	\$ 20,439	\$ 20,434	\$ 3,713	\$ 16,721
Total Personnel	\$ 182,619	\$ 187,468	\$ 117,575	\$ 69,893
Non-Personnel				
Space	\$ 14,600	\$ 14,600	\$ 4,704	\$ 9,896
Equip Rental	\$ 844	\$ 843	\$ 668	\$ 174
Litigation	\$ -	\$ 0	\$ -	\$ 0
Office Supply	\$ 2,204	\$ 2,187	\$ 2,943	\$ (756)
Printing and Postage	\$ -	\$ 17	\$ -	\$ 17
Telecommunications	\$ 2,055	\$ 2,056	\$ 1,586	\$ 470
Technology	\$ 6,453	\$ 7,855	\$ 4,098	\$ 3,757
Training	\$ 160	\$ 160	\$ 80	\$ 80
Travel	\$ 45	\$ 45	\$ -	\$ 45
Library	\$ 1,836	\$ 2,063	\$ 1,576	\$ 487
Insurance	\$ 1,815	\$ 1,815	\$ 1,529	\$ 286
Contract to Clients	\$ 17,527	\$ 13,954	\$ -	\$ 13,954
Contract to Org	\$ -	\$ 3,572	\$ 11,993	\$ (8,421)
Total NonPersonnel	\$ 47,539	\$ 49,168	\$ 29,177	\$ 19,991
Indirect Costs				
Indirect 10% De Minimis	\$ -	\$ -	\$ 14,675	\$ (14,675)
Total Indirect Cost			\$ 14,675	\$ (14,675)
Grand Total	\$ 230,158	\$ 236,635	\$ 161,426	\$ 75,209

CONCLUSION

Pursuant to 2 CFR section 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. Since CCWRO has not come into compliance with all federal grant requirements, the committee does not recommend reverting CCWRO's remaining HP 3 Formula grant allocation to a lump sum payment. Instead, the committee recommends that CCWRO continue to receive its remaining HP 3 Formula funds through monthly reimbursement payments, in accordance with 2 CFR 200.208.

Under 2 CFR 200.339, if the State Bar 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, and/or

wholly suspend or terminate the award. CCWRO's HP 3 Formula grant award is for \$442,044 over three years. The State Bar disbursed payments for years one and two for \$147,348 per year, or \$294,696 in total. As of June 13, 2024, staff calculate that CCWRO has \$161,426 in allowed costs, and \$133,270 remaining in unspent funds from years one and two. Given that CCWRO has failed to expend funds per the grant agreement, pursuant to 2 CFR 200.339(a), the committee recommends withholding additional payments for CCWRO's 2024 HP 3 Formula grant expenditures until CCWRO has spent the remaining \$133,270 that they have already received. The 2024 monthly expenditures submitted by CCWRO will be reviewed and deducted from this existing balance of available funds. Once these funds are exhausted, then the remaining expenditures will be paid on a reimbursement model.

Pursuant to 2 CFR 200.339, subsection (b) (disallowing funds), the committee recommends disallowing \$75,209 in costs. CCWRO must correct its expenditures on the quarter ten expenditure report to remove the disallowed funds and to correct cost categories to reflect its actual expenditures. The quarter ten expenditure report is due for all HP 3 grantees on July 31, 2024. CCWRO must also update its submitted budget modification to match the corrected line item expenditures. Given the amount of technical assistance CCWRO has received and the numerous opportunities CCWRO has had to resolve the compliance issues, the committee has determined that there are no additional conditions to impose on CCWRO that can remedy the identified areas of noncompliance. Staff will continue to provide CCWRO with technical assistance. Should CCWRO continue to fail to fully comply with all federal grant requirements, the committee may recommend terminating CCWRO's HP 3 Formula grant.

RECOMMENDATIONS

Should the LSTFC concur with the committee's proposal, passage of the following resolution is recommended:

RESOLVED, that the Legal Services Trust Fund Commission (LSTFC) determines that the materials submitted by Coalition of California Welfare Rights Organizations (CCWRO) do not satisfy the resolution passed by the LSTFC on March 29, 2024, and CCWRO remains noncompliant with federal grant requirements; and it is

FURTHER RESOLVED, that the LSTFC continues to require CCWRO to submit allocation reports and staff time sheets each month 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. CCWRO may only receive reimbursement for HP 3 Formula grant expenditures in 2024 after it fully expends all funds it received for its year one and two HP 3 Formula grant payments as described in the committee's memo dated June 21, 2024, or an updated number provided by staff prior to or during the LSTFC meeting on June 21, 2024; and it is

FURTHER RESOLVED, that the LSTFC requires CCWRO to adjust its expenditure reports to back out the disallowed costs as described in the committee's memo (currently \$75,209) dated June 21, 2024, or an updated number provided by staff prior to or during the LSTFC meeting on June 21, 2024; and it is

FURTHER RESOLVED, that the LSTFC requires CCWRO to revise its HP 3 Formula grant on the quarter ten expenditure report due July 31, 2024, to reflect its actual expenditures through June 30, 2024; and it is

FURTHER RESOLVED, that the LSTFC requires CCWRO to correct its previously submitted budget revision request for its HP 3 Formula funding to staff by June 30, 2024; and it is

FURTHER RESOLVED, that the analysis staff have conducted, in addition to staff's ongoing review of reimbursement expenditures satisfies the LSTFC requirement for CCWRO to participate in a second HP 3 desk review in 2024.

ATTACHMENT LIST

- A. Memo on CCWRO's HP 3 Formula Grant for the May 20, 2024, Homelessness Prevention Funds Committee Meeting



The State Bar of California

OPEN SESSION

AGENDA ITEM 5.1

MAY 2024

LEGAL SERVICES TRUST FUND COMMISSION (LSTFC) HOMELESSNESS PREVENTION FUNDS COMMITTEE

DATE: May 20, 2024

TO: Members, LSTFC Homelessness Prevention Funds Committee

FROM: Heidi Slater, Acting Program Manager, Office of Access & Inclusion
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 expenditures and services reports. Staff provided extensive technical assistance to CCWRO and explained what actions it must perform to satisfy concerns about its HP 2 and HP 3 formula expenditures and services. On December 13, 2023, and again on March 29, 2024, the LSTFC mandated CCWRO to comply with several requirements and submit specific deliverables to ensure its full compliance with federal grant requirements. This memo describes staff's review of CCWRO's HP 3 formula deliverables for the Homelessness Prevention Funds Committee (Committee) meeting on May 20, 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, the Committee, and the LSTFC 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 it resolve these issues and bring its HP 2 and 3 formula grants into compliance. Additionally, the Committee, the LSTFC, and the Eligibility and Budget Review Committee have discussed CCWRO's HP 3 compliance concerns on multiple occasions. Attachment A details previous Committee and LSTFC meetings to address compliance concerns related to CCWRO's HP 3 formula grant.

DISCUSSION

On March 29, 2024, 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) do not satisfy the resolution passed by the LSTFC on December 13, 2023, and CCWRO remains noncompliant with federal grant requirements; and it is

FURTHER RESOLVED, that the LSTFC requires 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 LSTFC 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 nine 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.

Ongoing Concerns and Questioned Costs

CCWRO submitted all the above required materials by the April 26, 2024, deadline. However, some of these materials were incomplete and others were inaccurate. CCWRO submitted a revised budget modification on April 26 that was substantively incomplete and inaccurate, and therefore required further revisions. Staff has additional questions regarding the budget modification and will work with CCWRO to clarify, after which point staff will make a recommendation to the Committee. Although CCWRO has submitted multiple budget revisions for both its HP 2 and HP 3 grants, its most recently submitted HP 3 budget revision request only revised year three of the budget—leaving years one and two entirely blank—and therefore required further revisions. While CCWRO has provided the requested documentation timely and has made efforts to meet the compliance requirements, serious concerns about CCWRO's internal controls remain and staff has identified inaccuracies in many of the submitted documents.

CCWRO submitted time sheets for the personnel expenses included on the HP 3 grant. However, the time sheets were inaccurate and reflected budgeted time, rather than actual time which is what is required. The time sheets submitted for the Executive Director and the Directing Attorney do not accurately reflect time worked on HP 3 permissible activities. Staff is questioning the costs charged for these two employees. Staff may recommend using an indirect cost rate for the Executive Director and Directing Attorney's time since adequate time records do not exist. If CCWRO has a federally approved indirect cost rate, CCWRO may use that. Otherwise, indirect costs must be capped at 10 percent de minimis.

During the December 13, 2023, LSTFC closed session, the LSTFC determined that CCWRO's 2022 HP 3 Formula grant expenditures were considered allowable (see Attachment A). This resolution was shared via email with CCWRO on December 18, 2023. However, on April 23, 2024, CCWRO submitted documentation increasing its 2022 HP 3 expenditures. Additionally, as will be explained below, CCWRO submitted new time sheets on April 17, 2024, which brings into question the validity of two employees' time. This new information requires staff to reopen review of CCWRO's entire grant period.

The basis for this determination is because the time sheets submitted include instructions on how to complete the time sheets. Employees are instructed to "only enter sick/vacation time and program time (program time is the number of total hours worked.)" Once sick, vacation, and total time worked are entered, the time sheet uses a preset formula to allocate time by program. In other words, employees are not reporting their actual time by fund. See Table 1 for the time sheet instructions and Table 2 for a copy of an employee's January 2024 time sheet. In the employee's time sheets referenced above, the time record includes time sheets prefilled through December 2024.

Table 1. CCWRO Time Sheet Instructions

CCWRO
Time Sheet Instructions
ADD YOUR SALARY under Annual Salary
ONLY enter your sick time/vacation time and your program time (program time is the number of total hours worked)
Do not enter anything in shaded areas
Formulas will calculate time worked by program
Sign Page (type your name after Employee Signature)
Forward to supervisor

Table 2. CCWRO Employee January 2024 Time Sheet

Month/Year	Jan-24									
Week	Work Hours of the Month		IOLTA		EAF		HP III	Vacation	Sick Time	Program Time
Week 1	40	✓	26.0	✓	8.4	✓	5.6			40
Week 2	40	✓	26.0	✓	8.4	✓	5.6			40
Week 3	40	✓	26.0	✓	8.4	✓	5.6			40
Week 4	40	✓	26.0	✓	8.4	✓	5.6			40
Week 5	24	✓	3.9	✓	1.3	✓	0.8		18	6
	184		107.9		34.9		23.2	0	18	166

The Homelessness Prevention Attorney's time sheets have also been reviewed. The time sheets appear to be more reflective of actual time worked. However, most of their time sheets still contain time keeping errors as described below. Due to the inaccuracy of their time sheets, staff also has questioned costs related to this employee.

For all three employees, the time sheets submitted do not include holiday pay and, in the majority of time sheets, the total time for the individual weeks do not match the number of work hours in a month thus adding further concerns to the accuracy of the records submitted. Table 3 shows the time record submitted.

Table 3. CCWRO's Time Record Submitted

Aug 2023 Pay cycle	HP3	Non - Program time	Time Off	Total Time	Program Time	Time off (Benefit Time)	Available Work Hours
Week 1	4.8	35.2	0	40	12%	0%	32
Week 2	0	33.5	6.5	40	0%	16%	40
Week 3	9.6	30.4	0	40	24%	0%	40
Week 4	4.8	35.2	0	40	12%	0%	40
Week 5	4.8	35.2	0	40	12%	0%	30
	24 0	169.5 0	6.5 0	200 0	12%	3%	182

The submitted time sheets fail to comply with the grant conditions as required in 2 CFR 200.430(i)(1) which states "(1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must: (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated." Without accurate time and effort records, staff cannot validate with certainty the reported expenditures related to the grant.

In addition to the personnel expenditures, staff reviewed CCWRO's reported employee benefits and non-personnel expenditures. To determine the appropriateness of those expenses, staff require additional clarification and supporting documentation. In particular, staff must verify salary rates and salary irregularities. Staff need to review CCWRO's full organizational general ledger for the HP 3 grant period. Staff also questions some individual non-personnel line item expenditures because staff does not yet have data to determine the costs to ultimately disallow.

Staff is currently reviewing CCWRO's request for reimbursement for January through March 2024. Given the formulaic nature of two of the three employees time records, staff is identifying questioned costs related to the reimbursement requests. In addition, staff has requested additional documentation and clarification related to some of the non-personnel expenses and currently identified questioned costs.

CONCLUSION

Pursuant to 2 CFR section 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 section 200.208(c)(1)–(6). Since CCWRO has not come into compliance with all federal grant requirements, staff do not recommend reverting CCWRO's remaining HP 3 formula grant allocation to a lump sum payment. Instead, staff recommends that CCWRO receive its remaining HP 3 formula funds through monthly reimbursement payments, in accordance with 2 CFR 200.208. Under 2 CFR 200.339, if the State Bar 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, and/or wholly suspend or terminate the award.

Staff will recommend disallowing the costs once the final analysis is performed. All disallowed costs must be returned to the State Bar. Given the amount of technical assistance CCWRO has received and the numerous opportunities CCWRO has had to resolve the compliance issues, staff has determined that there are no additional conditions to impose on CCWRO that can remedy the identified areas of noncompliance. This is because CCWRO has demonstrated it does not have accurate time sheets available for the grant period to date. Instead, CCWRO created instructions and documents that prohibit the actual tracking of time, despite extensive technical support and clarification of the requirements. Staff has requested additional supporting documentation from CCWRO to finalize the calculation of questioned costs, due May 24, 2024. Staff will continue to provide CCWRO with technical assistance. Should CCWRO continue to fail to fully comply with all federal grant requirements, staff may recommend terminating CCWRO's HP 3 Formula grant.

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 March 29, 2024, and CCWRO remains noncompliant with federal grant requirements; and it is

FURTHER RESOLVED, that the Committee recommends continuing to require CCWRO to submit allocation reports and staff time sheets each month 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; and it is

FURTHER RESOLVED, that the analysis staff has conducted, in addition to staff's ongoing review of reimbursement expenditures satisfies the LSTFC requirement for CCWRO to participate in a second HP 3 desk review in 2024.

ATTACHMENT LIST

- A. Memo on CCWRO's HP 3 Formula Grant for the March 29, 2024, LSTFC Meeting



The State Bar of California

OPEN SESSION

AGENDA ITEM 4.2

MARCH 2024

LEGAL SERVICES TRUST FUND COMMISSION

DATE: March 29, 2024

TO: Members, Legal Services Trust Fund Commission (LSTFC)

FROM: Members, LSTFC Homelessness Prevention Funds Committee

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 expenditures and services reports. Staff provided extensive technical assistance to CCWRO and explained what actions it must perform to satisfy concerns about its HP 2 and HP 3 formula expenditures and services. On December 13, 2023, the LSTFC mandated CCWRO to comply with several requirements and submit specific deliverables to ensure its full compliance with federal grant requirements. This memo describes the Homelessness Prevention Funds Committee's (Committee's) recommendations regarding CCWRO's HP 3 formula grant for the LSTFC meeting on March 29, 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 it resolve these issues and bring its HP 2 and 3 formula grants into compliance. On October 20, 2023, the 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 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 (October 1, 2023–December 31, 2023) 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 \$15,965.¹

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 current rules, staff may 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.

¹ Staff's memo to the Committee on February 26, 2024, incorrectly stated that CCWRO underreported unspent funds by \$7,242. Staff corrected this error in its presentation to the Committee on February 26, 2024.

Although CCRWO submitted all required deliverables by the January 31, 2024, deadline, it did not 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.

Pursuant to 2 CFR section 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 section 200.208(c)(1)–(6). Because CCWRO's allocation reports do not adjust their expenditures to reflect actual activity, the Committee recommends requiring CCWRO to receive its remaining HP 3 formula funds through monthly reimbursement payments, in accordance with 2 CFR 200.208, until it fully complies with all federal and LSTFC grant conditions.

On February 26, 2024, the Committee passed the following resolution:

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 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 monthly reimbursement until the Committee finds that CCWRO has complied with the below requirements; and it is

FURTHER RESOLVED, that the Committee recommends requiring 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 Committee recommends requiring 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 Committee recommends requiring 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.

On March 11, 2024, staff met with CCWRO to provide additional technical assistance. Staff reminded CCWRO to adjust its HP 3 formula budgeted allocation to reflect actual expenditures based on staff timesheets.

CONCLUSION

The Committee would 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 may 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, since staff cannot confirm CCWRO's budget revision request and spend down plan, the Committee recommends that the LSTFC 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 to date. 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 LSTFC concur with the Committee's proposal, passage of the following resolution is recommended:

RESOLVED, that the Legal Services Trust Fund Commission (LSTFC) 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 federal grant requirements; and it is

FURTHER RESOLVED, that the LSTFC requires 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 LSTFC 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 nine 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.