



# Performance Audit of Grants from the City of Oakland to Saba Grocers Initiative and its Fiscal Sponsor

Presentation to the Finance and Management Committee  
October 22, 2024

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# Audit Team



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# Background

- Between December 2021 and May 2023, we received anonymous complaints alleging that officials at Saba Grocers Initiative (Saba), did not distribute City-funded debit cards to community members.
- We found significant weaknesses with the City's grant management and oversight of its agreements with Saba.



## The City Has Funded Saba \$675,000 (FY 2020-21)

Term or Effective Date	Not-to-Exceed Amount	Scope of Services	Funding Source
<b>September 1, 2020 - December 30, 2020</b>	\$500,000	Costs associated with debit cards, debit cards, coupons, store equipment, personal protective equipment (PPE) supplies, store owner training, printing, staff and administration fees, sub-contracts, etc.	The City awarded the grant from State of California CARES Act funding to serve residents living in neighborhoods with high COVID-19 rates. City Council adopted Resolution No. 88274 C.M.S.
<b>April 1, 2021- June 1, 2022</b>	\$175,000	Costs associated with personnel expenses, debit cards, store equipment, printing, etc.	The City's Sugar Sweetened Beverage (SSB) Community Advisory Board voted to award \$175,000 to Saba and the City Council adopted Resolution No. 88528 C.M.S.

## City Council Allocated a Total of \$2.5 million to Saba

Date Approved By City Council	Not-to-Exceed Amount	Funding Source
<b>April 19, 2022</b>	\$1,000,000	City Council adopted resolution No. 89122 C.M.S., allocating funding sourced from FY(s) 2021-22 and 2022-23 Sugar Sweetened Beverage Tax Revenue.
<b>June 26, 2023</b>	\$500,000	City Council adopted biennial budget, allocating funding sourced from Sugar Sweetened Beverage Tax Revenue from the FY(s) 2023-25.
<b>June 30, 2023</b>	\$1,000,000	City Council adopted Resolution No. 89283 C.M.S., allocating funding sourced from the FY 2022-23 General Purpose Fund.



# Audit Objectives

- 1 Assess the City's oversight of the Saba grants.
- 2 Assess Saba's compliance with contract (grant) terms.



FINDING 1

Poor Management and Oversight of City Grants to the Saba Grocers Initiative Prevented the City from Ensuring Taxpayer Money Was Well Spent



# Poor Management & Oversight

- The City's grant agreements with Saba established monitoring requirements that were not followed.
- Grant monitoring activities were inconsistent across the two grant agreements.
- Grant management procedures operated under outdated administrative instructions.
- For both Saba grants, the City provided insufficient review, verification, and approval of Saba payment requests.
- Saba grants bypassed the standard pre-award evaluation process.

# Insufficient Review, Verification, and Approval of Saba Payment Requests

- \$40,000 for resident leader stipends to distribute debit cards
- \$30,000 for expenses associated with printed coupons
- Receipt for \$2,636 for "training," "produce delivery," "produce menu creation," and "invoicing support to store owners"
- Saba sought and received reimbursement from the City for employee recognition activities (\$500)

# Records Between April 2021 and December 2021 Revealed Insufficient Supporting Documentation Related to the \$175,000 Grant

- Saba could not provide support for \$62,771 for refrigeration cases.
  - What type of equipment was purchased?
  - Which corner stores received the equipment?
- Saba received \$25,000 from the City to distribute debit cards.
  - Saba reported a total of \$17,410, which is \$7,590 less than what was the allocated amount in the agreement.
  - We found supporting documentation for only \$8,900.

# Records Between April 2021 and December 2021 Revealed Insufficient Supporting Documentation Related to the \$175,000 Grant

Card Type	Number of Cards	Amount Loaded per Card	Total Amount
\$200	7	\$200	\$1,400
\$25	300	\$25	\$7,500
Unknown			\$8,510
<b>Total</b>	307		\$17,410



**FINDING 2**

# Saba Debit Cards Were Vulnerable to Misuse

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	Distributor	Number of Cards Distributed	Number of Cards Not Used	Utilization Rate (\$ spent/card value)
1	Sugar Freedom Project	392	25	89%
2	City of Oakland programs (Parks & Rec, Head Start)	174	15	85%
3	Street Level Health Project	107	6	87%
4	Trybe	72	15	71%
5	East Oakland Collective	69	13	74%
6	Saba employees or partner stores	62	3	89%
7	Homies Empowerment	43	9	75%
8	Light House Mosque	23	0	91%
9	Madison School	19	4	74%
	<b>Total</b>	<b>961</b>	<b>90</b>	<b>85%</b>



# Saba Debit Cards Were Vulnerable to Misuse

- Saba did not develop, implement, or enforce eligibility standards for cardholders.
- Saba debit cards are vulnerable to use by people who are not card recipients.
- Contrary to program guidelines, the use of Saba debit cards are not limited to healthy foods.
- Complying with the prohibition on purchasing alcohol and tobacco products relies on the education, diligence, and ethics of individual store clerks and cardholders.

# Saba Debit Cards Were Vulnerable to Misuse

- 90 debit cards (9 percent) were never used. This amount represents \$22,500 in food assistance that the City funded but did not benefit Oaklanders.
- City of Oakland's Head Start Program and the Oakland Parks, Recreation, & Youth Development Department set up 174 debit card accounts, of which 12 (7 percent) of cardholders were previous or current City employees and one cardholder was a relative of a City employee.
- Trybe, set up 72 debit card accounts, of which 15 (21 percent) were established in the names of current or past employees. Additionally, one cardholder was a relative of an employee, one person was listed as holding two cards, and 27 cards were registered to the organization's current or former address.



**FINDING 3**

**The City and Residents Appear to  
Have Received Only Modest  
Benefits from the City's Grants to  
Saba**

# The City and Residents Appear to Have Received Only Modest Benefits from the City's Grants to Saba

- Both contracts had significant indirect costs.
- Cardholder activity indicate a preference for full-service grocery stores.
- The effectiveness of using refrigeration cases at smaller stores to address “food deserts” remains unknown.
- The City has not evaluated Saba programming to meaningful performance measures.
- The City should focus on creating a robust grant management program.

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# Recommendations

## Recommendation 1

The City Administrator's Office should develop and implement a policy for overseeing grants for which it is a grantor. The policy should outline guidance for activities throughout the entire grant lifecycle – pre-award, active-award, and post-award phases – including:

- a) considering and approving grant proposals,
- b) setting guidelines for assessing, negotiating, and controlling indirect costs,
- c) implementing and monitoring grant requirements,
- d) reporting grant outcomes and results, and
- e) setting clear expectations and responsibilities for staff involved in grant management and oversight.



## Recommendation 2

To strengthen oversight and accountability around City grants, the Finance Department should develop procedures for reviewing grantees' requests for payments, and ensuring the City's payments to grantees are appropriate and in alignment with grant terms. The procedures should guide staff on:

- a) ensuring grantees' requests for payments are reasonable, and
- b) assessing the sufficiency of invoices, receipts, and other supporting documentation submitted by grantees.

## Recommendation 3

To strengthen oversight and accountability around City grants involving City-funded debit cards, the City Administrator's Office should develop procedures that:

- a) require eligibility requirements for cardholders,
- b) adopt procedures for reviewing and scrutinizing the distribution and accounting of cards, and
- c) consider requiring controls for ensuring cards are used only by intended recipients and for intended purposes.

## **Recommendation 4**

The City Administrator's Office should review existing Administrative Instructions related to grant management procedures, and update them as needed.

## **Recommendation 5**

The City Administrator's Office should provide training and awareness sessions to familiarize staff with the new policies, procedures, and Administrative Instructions.

## Recommendation 6

The City Administrator, in consultation with the City Attorney's Office, should determine how to address instances of Saba's misspending and non-compliance with City grant terms, identify whether Saba owes the City, and if so, pursue amounts owed.

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# Questions?

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**PERFORMANCE AUDIT OF GRANTS FROM  
THE CITY OF OAKLAND TO SABA GROCERS  
INITIATIVE AND ITS FISCAL SPONSOR**

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July 1, 2024