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\$830,000 in job funds to Oakland questioned

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Wednesday, April 21, 2010

(04-21) 04:00 PDT Sacramento --

Federal stimulus dollars intended for job creation in Oakland were spent instead on trips to the Santa Cruz Beach Boardwalk and a Concord water park, rent, church repairs, bus passes, salaries and car allowances, according to a state review released Tuesday.

AUCTION

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Oakland, which has struggled with a 17.7 percent unemployment rate, received \$3 million last year for summer youth, adult and dislocated worker programs. But more than \$830,000 of the money received under the American Recovery and Reinvestment Act from February to December 2009 was not properly accounted for or was misspent, according to the state Office of the Inspector General.

In addition, state auditors found the city inflated the number of jobs created, claiming 35 when only about six jobs were created with the stimulus dollars.

Laura Chick, the state inspector general overseeing federal recovery dollars, reviewed a similar program in San Francisco and found no problems.

Major accounting issues

But in Oakland, the stimulus funds were passed down from a city agency, the Oakland Workforce Investment Board, to a nonprofit, the Oakland Private Industry Council, which took control of the money despite the fact that the group had no valid contract with the city from July 2009 until earlier this month.

The state reviewed the nonprofit and found "significant accounting issues and inflated job numbers," among other problems.

Auditors had trouble tracking the money in part because the Industry Council drew stimulus funds based on arbitrary estimates rather than actual expenditures, according to the review.

For example, on Dec. 28, 2009, the Industry Council received \$980,000 for two job programs: the adult and the dislocated worker program. But as of March 5, only \$24,000 had actually been spent.

In addition, some of the money drawn from the Recovery Act fund was not traceable because the Industry Council recorded that it would be used for both Recovery Act and non-Recovery Act expenses. Recovery Act funds aren't to be used for existing expenses.

Of funds that were traced, auditors found that more than \$43,000 was ineligible or lacked sufficient documentation. That included:

- \$2,806 given to the Spanish Speaking Citizens Foundation for food and field trips to the Santa Cruz boardwalk, Waterworld California and Washington Park in Alameda.
- \$5,415 given to the Alameda County Youth Development program for staff salaries, benefits and bus passes.
- \$9,100 given to the Watkins Memorial Church of God for salaries, maintenance and repairs, and rent.

Oakland and the Industry Council defended the expenditures, explaining that Watkins Memorial Church is an affiliate of the Alameda County Youth Development program.

Theme parks, picnic

They also said field trips to theme parks and a picnic that was paid for with stimulus funds provided participants - mostly from East Oakland, an area known for gang activity - with "necessary training in conflict resolution" and "provided the opportunity to establish positive relationships with staff in an effort to reduce feelings of mistrust for authority figures." The state, however, rejected the explanation and said the money was misspent.

The state auditors also found problems resulting from the fact that the Industry Council used federal dollars to pay for existing expenses, as opposed to supplementing those costs. The city and Industry Council told the state that they had received approval from the state's Employment Development Department to use Recovery Act dollars for regular expenses while they awaited funding for those expenses, but Chick said they have provided no documentation of that.

Some of those questionable expenditures found in the audit included:

- \$24,022 in administrative salaries for the Industry Council.
- \$41,970 in rent for the Industry Council.
- \$1,626 in car and parking allowances for the Industry Council's executive officer, Gay Cobb.

Chick said the actions in Oakland were not criminal but need to be corrected or else the federal government could seek to recoup the money.

"Some of the money was misspent," said Chick, who has uncovered problems with federal recovery spending in other parts of the state. But, she said, much of the problem "is bookkeeping and accounting and correctable," though doing so costs additional time and recovery dollars.

The city leader overseeing the city's Workforce Investment Board said in a written response to the state audit that the city appreciates the review and that many changes have already been made.

"The city and our partners have provided the required oversight and monitoring," said Earl Johnson, interim executive director of the Oakland Workforce Investment Board. "The inspector general's review provided us an

opportunity to further refine our oversight processes in keeping with our commitment to the efficient and transparent use of public funds."

\$3 million left to collect

The inspector's review does not impact Oakland's ability to collect the remaining \$3 million it was awarded.

Oakland is not the first entity to be reprimanded by the inspector general. In March, Chick reported that Tulare County's Workforce Investment Board improperly spent nearly \$1 million on overhead costs instead of a youth summer program for which the money was intended. She said the county is correcting that.

"I think this is occurring in a lot of different areas," Chick said. "It's not criminal wrongdoing but inappropriate expenditures. I'm trying to get the word out there: Don't do it. If you're doing it, fix it."

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This article appeared on page A - 1 of the San Francisco Chronicle

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