

**ECONOMIC
OPPORTUNITY
COUNCIL OF SAN
FRANCISCO:**

Review of Its Governance and
Administration of the Commodity
Supplemental Food Program



May 12, 2004



CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

Ed Harrington
Controller

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May 12, 2004

Supervisor Bevan Dufty, Chair
Members of the City Services Committee
City Hall
San Francisco, Ca. 94102

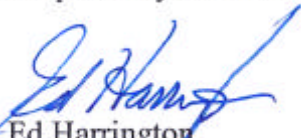
Dear Supervisor Dufty and Members:

The Office of the Controller (Controller) presents its report on the review of the Economic Opportunity Council of San Francisco's (EOC) governance and administration of the Commodity Supplemental Food Program (food program).

We found that although the Board of Directors of the EOC plays an active role in the governance of the agency, elected officials have been slow to designate representatives to this Board. With regard to the food program, we found that EOC has had difficulty administering the program effectively and has been cited by State monitors for failing to provide greater accountability over food distribution.

Since we began our review, EOC has decided to relinquish the food program, and the San Francisco Food Bank has expressed interest in assuming responsibility for the program. We encourage these agencies to work together and with community advocates and California Department of Education administrators to develop a transition plan that will minimize disruption to the senior clients and improve program accountability.

Respectfully submitted,


Ed Harrington
Controller

- cc. Supervisor Chris Daly
Supervisor Matt Gonzalez
Clerk of the Board
Hazel King, President, Economic Opportunity Council of San Francisco Board of
Directors

SUMMARY

Report Highlights:

Our review of the Economic Opportunity Council revealed the following:

- The EOC Board is active in its oversight of the agency's management and its programs but may not have been fully informed about deficiencies in the operations of the food program.***
 - The State has cited EOC repeatedly for storage, food distribution and record keeping deficiencies.***
 - EOC's reduction of food distribution sites has significantly reduced the number of participants in the program.***
 - EOC cannot manage the food program within the budget allocated by the State.***
 - The EOC Board has acted to relinquish the program to another non-profit in the community.***
 - EOC is working to transition the program smoothly.***
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RESULTS IN BRIEF

At the request of the City Services Committee of the Board of Supervisors, the Office of the Controller (Controller) reviewed the governance of the Economic Opportunity Council of San Francisco (EOC) and its management of the Commodity Supplemental Food Program (food program). The food program provides boxes of food to low income seniors and women with children. The United States Department of Agriculture (USDA) furnishes both the food and administrative funding for the program, and the California Department of Education's Nutrition Services Division oversees California's allocation.

We found that the Board of Directors of the Economic Opportunity Council of San Francisco is generally active in its oversight of the agency and its programs. However, based on our review of meeting minutes of the past year, it appears that the EOC Executive Director and his staff did not make clear the seriousness and the extent of the problems with the food program. Further, although some elected officials have seats on EOC's Board of Directors, both the Mayor and the Board of Supervisors have been slow to attend meetings or to designate representatives.

While it is clear that EOC cares deeply about the well-being of people in the community, the agency has had considerable difficulty in administering the food program. Monitors from the California Department of Education have been in close contact with EOC since July 2002 when numerous problems with storage, food distribution and record keeping became evident. EOC reduced the number of food distribution sites to increase its accountability, but this reduction had a negative impact on the community when many frail and homebound seniors were not able to access their boxes. Adding to EOC's difficulty, the USDA funds do not cover the full costs of administering the program, so EOC has been operating at a deficit.

During the course of our review, EOC has decided to relinquish the food program in favor of another agency. The San Francisco Food Bank has expressed interest and the two agencies are working together with the California Department of Education to develop a transition plan and seek additional funding sources.

INTRODUCTION

The City Services Committee of the Board of Supervisors requested the Controller to review the governance of the Economic Opportunity Council of San Francisco (EOC) and its management of the Commodity Supplemental Food Program. This request was initiated at a committee hearing at which the Board of Supervisors considered testimony from members of the community that the food program had been significantly reduced in recent months.

The Supervisors inquired about the oversight of the food program by EOC's Board of Directors and about its governance structure. They directed the Controller to review these issues with the EOC staff and Board, and to report back to the City Services committee regarding possible changes to the City's appointments to the EOC Board, and the operation of the food program. The Board also requested that the Controller review the utilization and operations of the Commodity Supplemental Food Program to determine if the EOC could expand its distribution sites to increase access to the services within the community.

BACKGROUND

In October 2003, EOC reduced the number of distribution sites for its senior food program from 92 to 14. This resulted in a decrease in the number of seniors served by the program from 10,345 in September 2003 to 6,713 the following month.

The Economic Opportunity Council

The EOC was founded under the Economic Opportunity Act of 1964 as a private, non-profit corporation to address poverty in San Francisco. The agency acts as a supportive service to lessen the dependency low-income citizens have on government agencies.

EOC's Board of Directors includes members from the public sector, the private sector and low-income communities served by EOC programs. The Economic Opportunity Act required low-income people have "maximum feasible participation" in poverty program planning, and a 1967 amendment stipulated that the boards of community agencies established by the Act include one-third elected officials and another one-third be composed of private sector representatives, thereby limiting representation of the low-income to a minority position (one-third). The Community Services Block Grant (CSBG) legislation was passed in 1981,

rescinding the Economic Opportunity Act, but made agencies recognized under the Act eligible for Block Grant funds.

To achieve its goals, the agency administers four programs:

- Child Care Program
- Community Services Program
- Energy Assistance Program
- Nutrition Program

EOC receives City money to support the Child Care and Community Services Programs; in fiscal year 2003-04, these funds totaled \$409,007.

The Nutrition Program distributes Commodity Supplemental Food Program food boxes to both seniors and women with children. The senior caseload represents the majority of those served by the program: in 2003, 93 percent of the food distributed was to seniors.

The Commodity Supplemental Food Program

The Commodity Supplemental Food Program is designed to prevent malnutrition among at-risk populations by providing supplemental nutritious food. (Please note that this program is not the same as the WIC program, which also distributes supplemental food to women, infants and children.) The program is available to low-income pregnant and breastfeeding women, other new mothers up to one year postpartum, infants, children up to their sixth birthday, and elderly persons at least 60 years of age who meet income eligibility requirements. Eligible participants cannot participate in USDA's Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) at the same time they participate in CSFP. Income eligibility is set at 130 percent of the poverty level for seniors.

The USDA provides \$51 per box to cover administration costs of the food program.

The United States Department of Agriculture provides both funds to manage the program and the food that is distributed, and California's allocation is administered by the Department of Education. Congress sets the level of funding: \$51 per box of food distributed, which means that funding depends on caseload levels. California's allocation is divided among six regions:

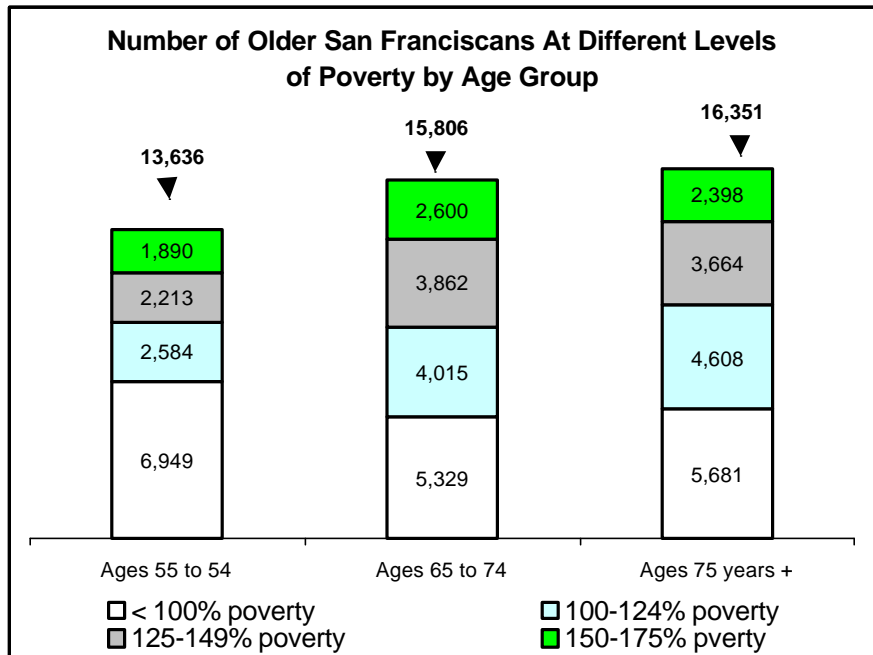
- San Francisco
- Orange County
- Los Angeles County
- San Diego County
- Stanislaus County

- Sonoma County (also distributes food in Lake, Mendocino, Humboldt and Del Norte Counties)

Each region’s distribution is handled by a local nonprofit agency, and staff members from the Department of Education oversee the local agencies. Agencies enter into an agreement with the Department of Education similar to a Memorandum of Understanding. The agreement is expected by both parties to continue until it is terminated, rather than being renewed annually, and agencies are paid after providing services.

San Francisco’s Senior Population

The 2000 census found that 136,369 San Franciscans (17.6% of the total population) are aged 60 or older. The Department of Aging and Adult Services table below shows low-income seniors by age group. Based on these figures, we estimate that at least 23,083 seniors (aged 60 or older) may be eligible for the Commodity Supplemental Food Program.



Source: “Living With Dignity in San Francisco” Strategic Plan, Department of Aging and Adult Services, April 2004.

SCOPE AND METHODOLOGY

As described above, this review was to assess EOC’s administration of the Commodity Supplemental Food Program and

also the agency's governance structure. To conduct our review, we interviewed EOC staff, met with members of the EOC Board of Directors and reviewed EOC documents, including bylaws, meeting minutes, financial statements, eligibility requirements and correspondence. We also observed EOC's food distribution at one of the sites. In addition, we met with community advocates and interviewed by phone Department of Education staff members who monitor EOC and Commodity Supplemental Food Program administrators from other regions.

CHAPTER 1: GOVERNANCE

THE BOARD OF DIRECTORS OF THE ECONOMIC OPPORTUNITY COUNCIL ACTIVELY OVERSEES THE AGENCY'S OPERATIONS

Members of the City Services Committee of the Board of Supervisors questioned the ongoing viability and responsiveness of the EOC Board of Directors, given the testimony heard about the reduction of the food distribution sites and its impact on the senior community. The Clerk of the Board's staff and the City Attorney testified that the Clerk had placed the EOC Board on inactive status, as it had not received any response from the Clerk's annual inquiry on EOC Board of Directors activity.

In fact, the EOC Board is active, meets bimonthly, and has been monitoring the agency's programs regularly. We also found that the Board was aware of the reductions made by the agency to the number of food distribution sites. However, we believe that the Board was not aware of the extent of the management and operational problems of the food program. Meeting minutes indicate that EOC staff did not discuss in any depth State and Federal complaints about the food program with Board members. It appears that Board members were involved with EOC's search for a secure and affordable warehouse site, but not with the operational difficulties staff faced in administering the food program.

The Board of Directors Includes Community Members, Public Officials and Private Sector Representatives

The EOC Board of Directors has 15 members and meets bimonthly. The Board used to have 21 members, but it was too difficult to get a quorum for meetings, so the size of the Board was reduced by 6 members in 2000. Board members serve for four-year terms and can be elected or appointed for additional terms.

The following table shows the composition of EOC's Board:

Position	Election
Low-Income Representatives	No less than 1/3 shall be elected by election; minimum of 5 and 1 alternate selected in accordance with Low-Income Sector Selection Plan
Public Officials	No less than 1/3 shall be elected to the extent that they are willing to serve; may choose one alternate; public officials are: Mayor, Board of Supervisors, District Attorney, Public Defender and the Board of Education. Each has one seat and may attend in person or designate a representative.
Private Groups and Interests	Remaining seats shall be filled by interest groups/organizations in the community; must be elected by organization designated for representation; may have alternates

Officers serve for two-year terms and are elected by other members of the Board. The Board has three committees that meet as needed:

- Executive Committee
- Program Planning & Evaluation Committee
- Finance, Administration, & Personnel Committee

The Executive Committee sets Board agendas and acts on issues requiring immediate response that fall between meetings of the full Board. The full Board ratifies these actions at its next meeting.

Elected Officials Have Been Slow to Designate Representatives to EOC’s Board of Directors

The Board of Supervisors has had no representation on EOC Board until May 2004, and the Mayor only recently appointed a representative. District Attorney Kamala Harris has not attended a meeting or sent a representative since taking office in January 2004. The last Supervisor to serve on the EOC Board was Supervisor Amos Brown, who was appointed in 1997 and designated Leonard “Lefty” Gordon as his representative. Supervisor Brown left the Board of Supervisors in early 2001, and Mr. Gordon died that year.

The Board of Supervisors has not appointed a representative to EOC’s board of directors since 2001.

Mayor Brown appointed his staff member, Yolanda Harris, to represent him on the EOC Board. When Ms. Harris left the mayor’s office, she also went off the EOC Board. EOC Board

president Hazel King and Executive Director Nathaniel Mason talked to Mayor Brown and sent him a letter last year, but EOC did not get a new mayoral appointee to its Board until Mayor Newsom recently appointed Reverend Amos Brown to serve as his representative.

In an effort to increase the Board of Supervisors' participation on its Board of Directors, EOC sent a letter to Board President Gonzalez in January 2003 and February 2004, asking him to appoint a representative. Supervisor Matt Gonzalez attended the meeting of May 2004, and an appointee to represent the Board of Supervisors is forthcoming.

According to EOC's bylaws, Board seats held by elected officials are not considered vacancies if the officials do not attend meetings, because the officials are still technically considered members of the Board. If neither they nor their representative attends meetings, they are simply noted as absent.

EOC Staff has not Maintained Contact Information with the Board of Supervisors

EOC and the Board of Supervisors have been sending each other mail to the wrong addresses.

EOC has continued to communicate with the Board of Supervisors by including the Clerk of the Board on the EOC mailing list. However, mailings have been directed to an incorrect room address in City Hall, and the Clerk has not received this mail. In addition, the Clerk has had the wrong address for EOC. Mail sent to the incorrect agency address led to the Clerk's inactivating EOC's file in the Board and Commission Membership system when the post office returned mailed requests that EOC update its records.

RECOMMENDATIONS

To assist the Economic Opportunity Council to manage its organization and individual programs well, the Board of Supervisors should:

- Designate a representative to attend EOC Board of Directors meetings regularly and maintain communication between EOC and the Board of Supervisors.

To assure that EOC maintains communication about its activities with the Board of Supervisors, EOC staff should:

- Continue to notify the Board of Supervisors of its meetings and programs, preferably through a designated individual contact.

CHAPTER 2: OPERATIONS

THE ECONOMIC OPPORTUNITY COUNCIL HAS NOT MANAGED THE COMMODITY SUPPLEMENTAL FOOD PROGRAM IN ACCORDANCE WITH STATE REQUIREMENTS

The Commodity Supplemental Food Program has been difficult for EOC to administer effectively, and State officials monitoring the program have cited EOC for not accounting properly for its food distribution. In addition, the funding structure established by the Federal government is such that EOC is running the program at a deficit each month.

State and Federal Monitors Have Cited EOC Repeatedly for Storage, Food Distribution, and Record keeping Problems

The California Department of Education – Nutrition Services Division (Department of Education) monitors EOC and other Commodity Supplemental Food Program agencies in the State. EOC submits its inventory and records to the Department of Education, and the Department monitors EOC annually by reviewing these records and visiting the main office, warehouse and distribution sites. In addition, an outside agency audits EOC’s financial status each year.

The State has been monitoring EOC actively since July 2002, and only some problems have been resolved.

State evaluation records of the program indicate that EOC has been deficient in meeting program requirements over the past two years. Due to EOC’s continued noncompliance, active monitoring by the Department of Education has been going on since July 2002. Monitoring reports contain specific instances of noncompliance with program regulations and corrective actions to be taken, specifically with regard to longstanding problems with EOC’s tracking of food, storing of food and record keeping in general.

We heard from both EOC and Department of Education staff members that accountability for food has been EOC’s biggest problem. Controls are lax, and EOC does not track inventory effectively. Food has disappeared, and there are three possible points of loss: warehouse, trucks and distribution sites. Department of Education staff members expressed concern that EOC’s problems may reflect badly on the State’s oversight of its other food program agencies and could lead to funding cuts in the State’s allocation from the federal government.

Warehouse Space

For the past few years, EOC has been using a warehouse site at Pier 27 to store food before it is distributed. Although the site is available to EOC for a low rent, the facility does not include adequate enclosed storage and therefore has become accessible to rats and birds. Monitors from the Department of Education cited EOC in December 2002 for unsanitary conditions, and EOC has been storing food in shipping containers at a total cost to the program of \$10,000 per month. The United States Department of Agriculture, the agency that provides food and funds for the Commodity Supplemental Food Program, also found problems with EOC's warehouse and gave EOC a deadline of March 31, 2004 to relocate to another storage facility. EOC has been negotiating with a new warehouse site—and the USDA deadline has been extended—but the new site will cost \$18,000 per month. (It should be noted that this price includes packing assistance to prepare the food boxes.)

EOC did not have a system or a schedule to pick up undistributed food boxes.

Food Distribution

The Department of Education's review of EOC in June 2002 found that EOC did not provide accountability for food delivered to sites for distribution and did not account for undistributed food. Nutrition Services Division staff expressed concern that distribution was not monitored at some sites, that boxes were not distributed at scheduled times, nor was there a schedule to pick up leftover boxes. Some site personnel told Department of Education monitors that undistributed food was not returned to the EOC warehouse as required but instead was given to a child care center and to needy persons. Senior advocates and distribution site personnel told us that EOC did not know there was undistributed food to pick up unless the site called to request leftover boxes be picked up.

Correspondence between the Department of Education and EOC for the period from July 2002 to February 2004 shows partial implementation of recommended corrections; however, EOC did not appear to understand the importance of internal controls or how to set up a system of internal controls that would provide sufficient oversight of distribution processes. Following its monitoring visit in January 2004, the Department found that EOC continued to lack accountability for its food distribution.

Record Keeping

Record keeping has also been a problem for EOC. In its June 2002 review, Department of Education monitors found that program

participant eligibility files were “decentralized, not easily retrievable, unavailable and incomplete.” EOC was using a system of two binders to maintain participant certification forms for all its sites, which led to multiple weaknesses in accountability. For example:

- Maintaining two sets of records did not ensure that participants’ eligibility certification was current;
- Participants’ records kept in multiple, insecure locations increased the risk of fraud;
- Physical inventory control and inventory records were handled by the same person, which increased the risk of fraud;
- Food box receipt signatures were not checked until the following month, which was too late for problems to be corrected.

In addition, distribution site personnel told us there was no “feedback loop” with which they could communicate with EOC staff members. As a result, problems and questions went unresolved.

EOC Reduced Its Distribution Sites In Order to Increase Accountability

In July 2003, the Department of Education informed EOC that if areas of noncompliance were not corrected within 30 days, EOC would be terminated from the food program. After some correspondence with monitors, EOC decided to reduce the number of distribution sites from 92 to 14 in an effort to better control food box distribution. Staff members developed a plan and described for Department of Education monitors how the changes would be effected. To meet the deadline for improvements, the plan was to be in place by October 1, 2003.

State officials notified EOC that the State would terminate funding unless corrections were implemented.

Changes to the Food Program

On September 22, 2003, EOC sent food distribution site coordinators a memo announcing the reduction in sites effective October 1, 2003. Program participants received information regarding the new plan in mid-October and were required to recertify their eligibility.

In hearings before the Board of Supervisors, community members expressed frustration that significant operational changes were made without community notification or input. Specifically, people were opposed to EOC’s reduction of distribution sites from 92 to 14, and the corresponding decrease in the number of seniors served

by the food program. In addition, members of the public questioned EOC staff's capacity to operate the program, citing recent monitoring reports that found numerous gaps and deficiencies in accountability, inventory management, and eligibility determination.

Reducing its distribution sites has reduced CSFP caseload from about 10,500 per month to about 6,800 per month. Truck drivers used to leave boxes at sites. Now EOC staff members are at sites to track distribution. There is one full-time coordinator; others are on call based on number of boxes to be distributed. There are two regular truck drivers, plus one on call.

The number of seniors receiving food boxes has dropped from 10,500 to 6,800 per month since the distribution sites were reduced.

There are three types of seniors in program: homebound, partially mobile (those who use a walker, wheelchair or oxygen) and fully mobile. When EOC distributed boxes at 92 sites, many homebound and partially mobile seniors were able to pick up their boxes at their residences. Agency staff members report that homebound and partially mobile seniors are particularly affected by having to travel greater distances to pick up their boxes. Now that sites have been reduced, many of these seniors must designate proxies to pick up their boxes.

USDA Funds Do Not Pay the Full Cost of the Food Program

Funds provided by the United States Department of Agriculture (USDA) to administer the Commodity Supplemental Food Program do not support the full cost of the program. Distributing agencies nationwide receive just over \$51 per box of food, and other agencies subsidize their food programs with grants, volunteers and local government support. Historically, EOC has used Community Services Block Grant funds, which are somewhat flexible, to cover the 30-33% of administrative costs not met by USDA funds.

However, Block Grant money was cut by \$271,000 when the State began using 2000 census figures to calculate San Francisco's allocation, as the census showed that the City's low-income population had declined as a proportion of low-income people in the State. Last year, EOC received a grant of \$100,000 from a State discretionary fund and \$107,000 from the USDA that came from a pool of unspent funds for the Commodity Supplemental Food Program. These funds were one-time fixes to EOC's shortfall. Further, as USDA funding depends on the program caseload, EOC has lost approximately \$20,000 in USDA funds since January 2004 because the agency is serving fewer clients.

EOC has run the food program at a deficit since July 2003.

Federal funding levels are set for the Commodity Supplemental Food Program, so there will be no increase in caseloads nationally. California must maintain 90% capacity for the program each year to continue to receive its funding allocation, and State officials have been concerned that EOC's caseload reduction will bring down the whole Commodity Supplemental Food Program funding allocation for the State.

As shown in the table below, other Commodity Supplemental Food Programs in California serve varying numbers of clients at varying numbers of sites.

County	Approximate Number of Clients	Number of Distribution Sites
Orange	24,000	45
San Diego	7,600	62
San Francisco	6,800	14
Sonoma	2,800	80
Stanislaus	5,500	46

Distribution sites in the rural counties can be far from warehouses: some Stanislaus County sites are 75 miles from where the food is packed. The Northern California area—Sonoma, Lake, Mendocino, Humboldt and Del Norte Counties—served by the Redwood Empire Food Bank distributes to a relatively small number of clients through a high number of sites. Food bank employees and volunteers pack the boxes, but local agencies, including 6 smaller local food banks, actually distribute the food.

EOC has Decided to Relinquish the Food Program

In April 2004, the board of directors of the Economic Opportunity Council agreed with the staff recommendation that the agency relinquish its management of the Commodity Supplemental Food Program. The President of EOC's Board of Directors sent a letter to the California Department of Education's Nutrition Services Division notifying the manager of EOC's intention to terminate the agreement under which EOC has been operating the food program. EOC expressed its willingness to provide services until the new agency is fully ready to begin operations.

The San Francisco Food Bank Could Administer the Food Program

The San Francisco Food Bank (Food Bank) is a nonprofit agency that distributes donated food to the low income families and

individuals in the community through a network of other nonprofit programs. Food is donated by growers, manufacturers, grocery stores, wholesalers and distributors and passed on to community organizations such as senior centers, soup kitchens, food pantries and after-school programs.

The City has three contracts with the SF Food Bank to provide services through the Departments of Human Services, Public Health and Aging and Adult Services. In fiscal year 2002-03, the City paid the Food Bank \$511,905 to provide these services. In the current year, the Food Bank has been paid is \$515,995 as of March 30, 2004.

The Food Bank has agreed to take over the food program, but this agreement depends on the Food Bank's finding a funding source that can make up the shortfall between the USDA funding and the actual costs of the program. The Food Bank's Program Director estimated that his agency was facing \$100,000 in capital costs and \$100,000 in start-up costs to implement the Commodity Supplemental Food Program.

We understand that the Food Bank, EOC and the Department of Education are working together to develop a transition plan and obtain funding for the transition in order to continue services with minimal disruption.

In order to restore access of services to clients, the Food Bank should outreach to seniors, community advocates and service providers to inform them of the changes in program administration. Further, the Food Bank should work with senior advocates and service providers to increase the number of sites, develop appropriate training of staff and volunteers, monitor client eligibility, and establish a procedures and policy manual for program operations. These efforts were planned during our review and we encourage the new provider to continue this work.

RECOMMENDATIONS

To ensure that the transition of the Commodity Supplemental Food Program occurs with the least possible disruption in service to seniors, the Economic Opportunity Council should:

- Prepare a transition plan for turning the food program over to the San Francisco Food Bank;
- Complete all required reports on program eligibility, client participation and financial status, as required by the State. This information should also be shared with the SF Food Bank.

In order to maximize participation in the program, the SF Food Bank should:

- Advocate for additional funds from USDA and the State Department of Education;
- Evaluate the cost and feasibility of expanding the number of sites in order to increase access to services;
- Perform outreach to eligible clients and service providers to inform them of program and administrative changes;
- Work with community advocates to develop program operating procedures for distribution sites;
- Develop a training program for volunteers and service provider staff on eligibility rules, program procedures and reporting requirements.

The Controller's staff is available to answer any questions or present the findings and conclusions contained in this report.

Staff: Monique Zmuda, Deputy Controller
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