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PRESS RELEASE



**CITY OF
OAKLAND**

OFFICE OF THE CITY AUDITOR
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Audit raises doubts about the effectiveness of the City of Oakland's \$500,000 and \$175,000 grants to improve access to healthy food for its most vulnerable residents

Poor management and oversight of grants to Saba Grocers Initiative and its fiscal sponsor prevented the City from ensuring taxpayer money was well spent.

OAKLAND, Calif. (July 1, 2024): Today, the Oakland City Auditor's Office released a [report](#) detailing the results of an audit of grants from the City of Oakland to Saba Grocers Initiative (Saba) and its fiscal sponsor, InAdvance. The audit was prompted by several anonymous whistleblower complaints.

Saba is a community organizing effort promoting equitable access to quality, nutritious food for marginalized communities in Oakland. It is not a registered nonprofit organization, but its fiscal sponsor is.

In 2020, the City of Oakland pursued and received State and Federal emergency funding to assist Oaklanders through the extraordinary public health and safety impacts of the COVID-19 Pandemic. During this emergency period, the City received and passed through millions of dollars to service providers who delivered services to the community. In June 2020, the City awarded \$500,000 to Saba's fiscal sponsor through emergency funding allocated from the State of California to serve communities most impacted by the Pandemic.

Later in December 2020, the City's Sugar Sweetened Beverage Community Advisory Board recommended sugar-sweetened tax revenue be awarded to Saba, which the City Council approved. Per the grant agreement, the City was to pay Saba's fiscal sponsor \$175,000 for community-related programs and activities for reducing the consumption of sugar-sweetened beverages.

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Both grants to Saba funded the development and distribution of debit cards for residents to use within Saba's network of privately-owned grocery and corner stores, and the installation of refrigeration units at some of the corner stores where store operators could keep inventories of fresh food to sell to the public.

At the time of the two grants, the Human Services Department was responsible for management and oversight of the Saba grants, but now that responsibility rests with the City Administrator's Office.

The audit found that poor management and oversight of grants to Saba prevented the City from ensuring taxpayer money was well spent. The City did not conduct monitoring requirements outlined in the grant agreements, and quality control measures were lacking, including those that would guide staff to scrutinize Saba's payment requests. As a result, the City approved some payments to Saba that were poorly justified and lacked necessary supporting documentation, and the City approved and issued payments to Saba for expenses not specified in the grant agreements.

The audit also found that Saba debit cards were vulnerable to misuse. Specifically, Saba did not develop, implement, or enforce eligibility standards for cardholders, such as residency and income requirements. As a result, a few cards were registered to people outside of Oakland and many cards were registered to employees of the organizations affiliated with Saba, and current and previous City employees and their relatives. Nine percent of debit cards activated through the \$500,000 grant were never used, which means these cards – worth \$22,500 in potential food assistance – never benefited Oaklanders. The City still paid Saba and its community partners for activating and distributing these unused cards.

Furthermore, Saba debit cards are not limited to healthy foods. They could be used for anything sold in Saba network stores, including sugar-sweetened beverages. Though prohibited, cardholders could also use Saba debit cards to purchase alcohol and tobacco because the cards were not coded to prevent such purchases.

Finally, the City lacks assurance that its grants to Saba were worthwhile. The City did not identify or consider the costs and benefits of its grants to Saba. The City's \$500,000 and \$175,000 grants have benefited the individual Saba stores by facilitating the use of debit card transactions across the network of 26 stores. Individual cardholders may have also benefited, notwithstanding the risks inherent in debit cards and the issues we found with Saba's card program. It is unclear, however, how much the City of Oakland and Oakland taxpayers and residents benefited from the City's grants to Saba. Neither of the two agreements between Saba and the City considered indirect costs, such as the salaries of Saba employees. In addition, cardholders had an overwhelming preference for full-service grocery stores, which calls to question the effectiveness of the City funding refrigeration units for smaller corner stores to address food deserts. The City did not develop performance measures for tracking the impact of Saba's services, and has not otherwise evaluated the effectiveness of Saba programming.

The audit produced 6 specific recommendations to the City Administrator's Office aimed to address the audit findings. When implemented, the recommendations will create a structure to improve consistency, transparency, fairness, and public accountability around the City's

processes for managing and overseeing grants. The City Auditor's Office will follow up on each of the audit recommendations to monitor progress, until they are implemented.

City Auditor Michael C. Houston said: "Unfortunately, food insecurity is widespread in Oakland, so providing Oaklanders with access to nutritious food is a noble City objective. Meeting this objective efficiently and equitably would have directed the City's limited resources to Oaklanders who most needed help, ensured that Saba provided the agreed-upon services, and ensured that grant activities produced desired outcomes. However, the audit found that the City's grants to Saba likely did not reach Oaklanders in most need, Saba did not provide all the agreed-upon services, and desired outcomes have not been defined. Furthermore, Oaklanders deserve assurance that the City gets what it pays for, and that the City and contractors do what they have agreed to do. In this audit, we found that both the City and Saba did not provide this assurance."

Auditor Houston recognized the multiple whistleblowers whose anonymous complaints about Saba's debit cards led to the audit. "I appreciate the whistleblowers who came forward. Without them, it is possible we would not have become aware of the problems and risks with the debit cards, or the many other issues we found during the audit."

Auditor Houston also added: "Even though this audit was about two grants to a specific service provider, my Office gained valuable insight into the City's grant administration, and use of special tax revenue, two important activities which will inform our planning of future audits."

Finally, Auditor Houston stated, "In my opinion, before proceeding with executing any pending grant agreements, the City should carefully consider the lax controls and performance issues identified in this audit, and implement this audit's recommendations immediately to make sure grant funds are used appropriately."

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You can read the full report [here](#).

Auditor Houston is available for in-person, virtual, or phone interviews. Please direct questions to Assistant to the City Auditor Dena Shupe at dshupe@oaklandca.gov.

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ABOUT OAKLAND'S CITY AUDITOR MICHAEL C. HOUSTON

A career public servant, Michael C. Houston has been a government auditor and investigator for over 15 years, first as a performance auditor for the City of San Jose's independent City Auditor's Office between 2008 and 2017, and then as the Director of Compliance & Internal Control at California State University East Bay, where he directed the audit and investigation functions between 2017 and 2019. Michael has worked in the Oakland City Auditor's Office since 2019, previously serving as the Whistleblower Manager and the Assistant City Auditor. In a March 2024 Special Election, Michael was elected to complete the term of the previous City Auditor Courtney Ruby, who resigned on October 13, 2023. Michael has a Master of Public Policy degree from U.C. Berkeley, a Bachelor of Arts degree in History from Sonoma State University, and is a Certified Internal Auditor.

ABOUT THE OAKLAND CITY AUDITOR'S OFFICE

The City Auditor's Office independently and objectively reviews City operations and services, and reports on their performance to the public. The Office's audits include recommendations to management and those charged with governance and oversight, on how to improve services, reduce costs, and increase public accountability. The Office conducts performance audits in accordance with Government Auditing Standards set by the Government Accountability Office under the U.S. Comptroller General. The City Auditor's Office operates a Whistleblower Hotline to receive and investigate allegations of fraud, waste, and abuse affecting or involving City of Oakland resources, employees, officials, or contractors. The Office also prepares financial ballot analyses for proposed legislation in accordance with the City Charter, and conducts analyses and reviews requested from the City Council. Visit www.oaklandauditor.com to learn more about Oakland's Office of the City Auditor or view a complete list of our released audits, investigations, and annual reports.