

R5 Approve the proposed responses to the Shasta County Grand Jury Fiscal Year 2022-23 Report entitled "SHASTA COUNTY CARES."

REPORT TO SHASTA COUNTY BOARD OF SUPERVISORS

BOARD MEETING DATE: August 29, 2023

CATEGORY: Regular Calendar

SUBJECT: Approve the proposed responses to the Shasta County Grand Jury Fiscal Year 2022-23 Report entitled "SHASTA COUNTY CARES."

DEPARTMENT: County Administrative Office

SUPERVISORIAL DISTRICT #: All

DEPARTMENT CONTACT: Jared Biddle, Administrative Analyst, (530) 225-5262

STAFF REPORT APPROVED BY: Erin Bertain, Deputy County Executive Officer

Vote Required?

Simple Majority Vote

General Fund Impact?

No Additional General Fund Impact

RECOMMENDATION

Approve the proposed responses to the Shasta County Grand Jury Fiscal Year 2022-23 Report entitled "SHASTA COUNTY CARES."

DISCUSSION

On June 3, 2023, the Fiscal Year 2022-23 Grand Jury released the report entitled "Shasta County CARES." A copy of the report is attached.

This Grand Jury Report contains Findings and Recommendations requiring responses from the Board. Attached are the proposed responses for the Board's consideration.

ALTERNATIVES

The Board may revise the proposed response. There is a legal requirement to respond within 90 days of receipt of the Report, making the responses due on or before September 1, 2023.

OTHER AGENCY INVOLVEMENT

The proposed responses to the Findings and Recommendations were drafted by the County Administrative Office staff. County Counsel reviewed the proposed responses.

FISCAL IMPACT

There is No Additional General Fund Impact in adopting the proposed response.

ATTACHMENTS:

- 1: Grand Jury Report
- 2: BOS Responses to Grand Jury Report

SHASTA COUNTY CARES

2022-2023 Shasta County Grand Jury



SUMMARY

The Shasta County Grand Jury investigated the Shasta County CARES Act Business Grant Program. Out of the \$18,153,328 Shasta County received in CARES Act relief, \$4,000,000 was allocated through the Spending Plan for the administration of a Business Grant Program. The three incorporated cities within Shasta County also received CARES funds and had business grant programs separate from the County's program.

While the County program helped businesses within all of Shasta County, the Jury found a major component of the County program, the prioritization of businesses in the unincorporated areas, was not met. The cities' programs could not be used for unincorporated areas.

The Jury was able to review extensive applicant lists, spreadsheet and bank records, and conduct its own random audit of the County program. The Jury found some specifications of the contract were not followed, and there were duplications of grant awards between the Cities' programs and the County program.

BACKGROUND

Due to the COVID-19 Global Pandemic, President Trump and Governor Newsom declared national and state emergencies in early March 2020. The Shasta County Sheriff and the Public Health Officer declared a local emergency on March 17, 2020, which was ratified by the Board of Supervisors (BOS) on March 24, 2020, thereby activating the Emergency Disaster Program.

The country was in shutdown mode to keep the COVID virus from spreading, which resulted in catastrophic effects on commerce, both locally and nationally.

The US Congress passed the \$2.2 trillion Coronavirus Aid, Relief, and Economic Security Act (CARES), and it was signed into law effective March 27, 2020. The Federal Housing and Urban Development Department (HUD) authorized an expansion of the Community Development Block Grant Program (CDBG-CV) to include distressed businesses. There were multiple avenues by which these monies were dispersed in the nation. This investigation focused solely on business grant programs within Shasta County. The Jury would not normally investigate private entities as

that does not fall within the Jury's purview. In this case, the Jury investigated the disbursement of public funds, which does fall within its purview, and how the following grants were distributed:

- CARES Business Grants by the County and Cities
- CARES Community Development Block Grants-COVID-19 (CDBG-CV) by Cities

The CARES Act provided for direct funding to state, county and local governments based on population. Receiving government entities agreed:

- to adhere to all federal rules for contracts;
- to comply with public health guidelines;
- to comply with all state and federal reporting requirements.

On July 15, 2020, the Shasta County Board of Supervisors voted to approve and ratify retroactively to July 2, 2020, the certification to receive these funds.

METHODOLOGY

- Researched CARES Act provisions extensively
- Interviewed Shasta County elected officials and staff
- Interviewed Chamber of Commerce/Forward Redding Foundation administrative staff and volunteers
- Interviewed staff and representatives of Redding, Anderson, and Shasta Lake City
- Reviewed videos, agendas and minutes of public meetings
- Reviewed spreadsheets, Google data, bank records, applicant and award data
- Reviewed multiple single-audit and reports

A detailed list of reference material is listed later in the report.

DISCUSSION

This Grand Jury decided to conduct an investigation to ensure that CARES funds were properly and equitably distributed throughout the County. On September 15, 2020, the Shasta County Board of Supervisors (BOS) approved a Spending Plan, which allocated \$18.2 million as follows:

1. Health and Human Service received \$9,422,615
2. Business grants received \$4,000,000
3. Shasta County Departments received \$3,517,391
4. Community Assistance/Non-Profits received \$1,213,322

After reviewing the four areas listed above, the Shasta County Grand Jury (SCGJ) chose to investigate the CARES Business Grant Program:

- to ascertain how the community benefited from the funding;
- how applications were handled;
- if rural areas were given priority;
- how funds were distributed to ensure as many businesses were served as possible; and
- how funds were tracked in order to prevent fraud.

In order to assist the business community, the BOS awarded a no-bid contract to the Forward Redding Foundation (FRF). This Foundation was responsible for administering the County Business Grant Program of \$4,000,000. The FRF had no prior experience in the administration of public funds. The Health and Human Services Agency (HHSA) was given oversight of the FRF contract.

The major highlights of the original contract with FRF stipulated: priority of grant awards to the unincorporated area; grant limits of \$5,000; awards to businesses with five or fewer employees; and limits to the dollar amount of grant awards if the applicant had received a Paycheck Protection Plan (PPP), Economic Impact Disaster Loan (EIDL), or any other grant/loan award. It also required FRF to oversee compliance as outlined in the contract with the County.

Before any checks were written for County grants, prior to November 5, 2020, two amendments were made to the contract. With each amendment the criteria for grant award was expanded or dropped. One major change was the removal of the monetary adjustment of grant awards to businesses that had received previous grant awards; they were now eligible for full County CARES grants. The first amendment changed the contract to include businesses with up to 25 employees and grant awards were increased from the original \$5,000 to \$20,000 per business. The Jury was unable to discover the rationale used to make these changes as there are approximately 2000 businesses in Shasta County with five or fewer employees, according to Shasta County Economic Development Corporation statistics. The second amendment, signed on October 21, 2020, and effective as of September 15, 2020, changed the contract so businesses awarded grants between August 11, 2020, and September 14, 2020, would be eligible to reapply and receive an additional grant from the County despite no applications being accepted before September 22, 2020.

One of the many provisions from the original contract, as amended, that remained unchanged was the mandate that priority be given to the unincorporated areas of the County. The amount of County grant money awarded was increased throughout the contract amendment process from the original amount of \$100,000, to the final amount of \$4,000,000.

The Jury found the Cities also entered into contracts with the FRF to administer business grant programs. The five programs administered by FRF were CARES for the County and Shasta Lake City and CDBG-CV Business Grants for the Cities of Redding, Anderson, and Shasta Lake City. Contracts were signed separately, each with its own terms and fees. Under the rules, CARES and CDBG-CV funds allotted to the Cities could only be disbursed to businesses within their respective city limits.

All parties interviewed were familiar with a regional approach to the disbursement of funds by the Cities and County. The Forward Redding Foundation spearheaded this regional approach. The amount of CARES Act public funds that passed through the Foundation was \$4,369,463. Total fees collected by the Foundation for CARES and CDBG-CV disbursements totaled \$154,764.

In July of 2020, FRF entered into a contract with a local bookkeeping firm. Contract details included: working with the Cities and the County to ensure compliance with all funding contracts; reviewing all applications for completeness; and presenting completed applications to a Grant Review Committee

The FRF obtained permission from the City of Redding (COR) to use aspects of its previously administered \$750,000 CARES program. Specifically, their electronic application process was utilized, which populated a Google Document with applicant information. There were no paper

applications. Additionally, a volunteer Grant Review Committee comprised of eight individuals from the business community was formed.

The COR contracted with FRF to administer its CDBG-CV Business Grant Program. The CDBG-CV program awarded 45 business grants totaling \$213,352. FRF collected an administrative fee of \$3,798. The County CARES grant programs awarded \$3,010,967 to zip codes 96001, 96002 and 96003.

The City of Anderson also contracted with FRF to administer its CDBG-CV Business Grant Program. The total amount available for these grants was \$79,899. FRF collected \$7,773 in administrative fees. Records show three grants were awarded totaling \$14,000. The unused balance is in reserve pending a request to HUD for approval to install free internet service in Anderson's city parks. The County CARES grant program awarded \$370,500 to zip code 96007.

Shasta Lake City contracted with FRF to administer its CARES Business Grant Program as well. Ten businesses were given grant awards totaling \$90,000. FRF collected an administrative fee of \$10,000. In addition, FRF was also contracted to administer the CDBG-CV program totaling \$20,000 and five grants were awarded, for which it received \$10,540 in administrative fees. The County CARES grant program awarded \$69,000 to zip code 96019.

FRF administered \$3,839,864 through the Shasta County Business Grant Program awarding 473 business grants and collecting \$122,653 for administrative fees.

The Cities had smaller federal monies to distribute, fewer number of grants to award, and defined geographic boundaries. All three of the Cities provided final reports, detailed records, and the required Single Audits conducted by a local CPA for FRF, which concluded no findings.

The Shasta County contract was significantly larger in dollar amounts, number of applicants and grantees, as well as geographical area, since the entire County was within its limits for grants. Shasta County's Health and Human Services Agency/Business and Support Services Branch was assigned oversight of monthly reports, as required by the FRF contract.

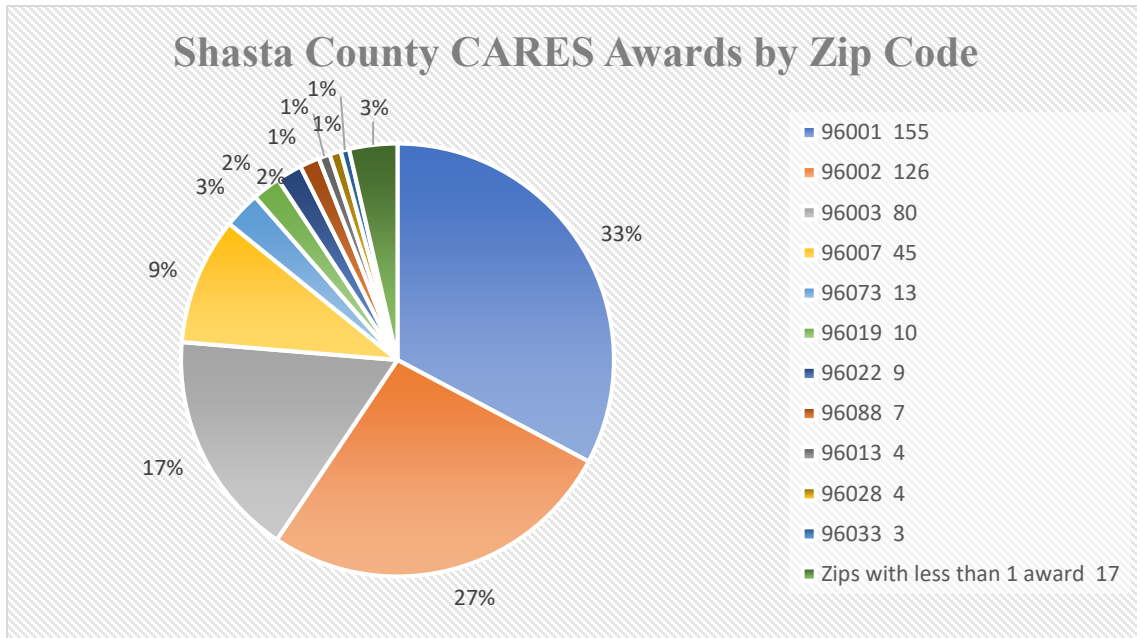
Monthly reports from FRF to HHSA were due by the 15th of each month until the end of the Program. Staffing issues at HHSA contributed to delays and inadequacies in the contractually required auditing. HHSA and FRF failed to timely complete monthly reports.

HHSA did not complete a final compliance audit nor resolve outstanding issues until July 2022. When completed, the Shasta County Auditor/Controller's office was able to identify \$37,347 of unused allocated administrative fees from FRF. This money was then used to award eight additional business grants.

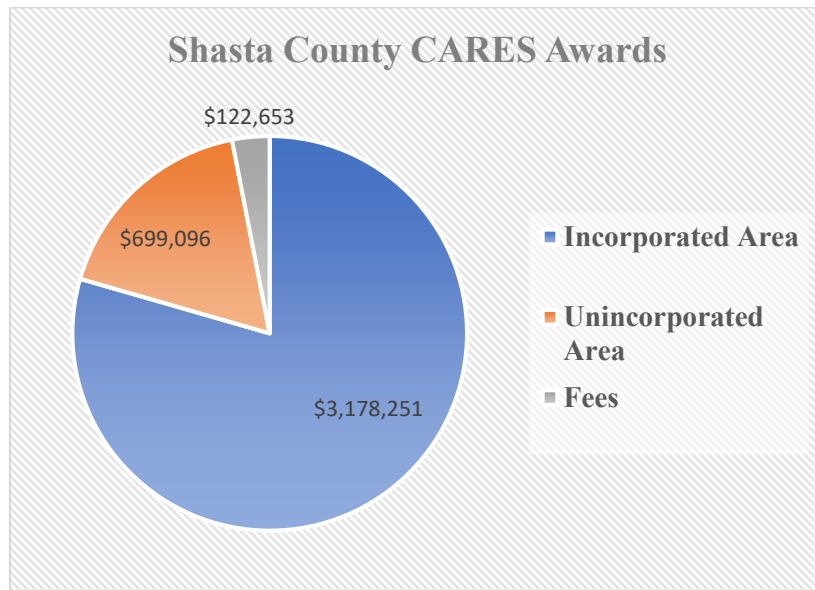
This Jury conducted limited scope audits for all CARES and CDBG-CV use of public funds allocated for business grants within the Cities. The Jury also reviewed all records for compliance.

A more detailed and wider scope audit was conducted by this Jury for the County's business grants. SC Auditor/Controller's office provided detailed records and assistance. After repeated requests, the FRF provided corresponding records in order to complete the comparison audit. Due to the electronic process of the program the Jury was unable to verify applicant signatures.

This Jury's investigation revealed the majority of Shasta County CARES Business Grants disbursed through the FRF contract went to businesses within incorporated areas.



Businesses within incorporated areas had three different opportunities to apply for CARES and CDBG-CV Business Grants, while the unincorporated areas only had one funding opportunity through the County grant program.



There were 473 grants awarded from County grant monies, of which 389 went to businesses within city limits. There were 145 Redding Chamber members who received grants. Eighty-four County grants were awarded to those in unincorporated areas. There were 12 recipients of double awards from County monies, while research revealed one went to the unincorporated areas. There were

51 recipients of awards from both county and COR monies. There were 39 recipients of awards from CDBG-CV and County CARES monies. Additionally, several recipients were provided more than two awards. Eligible applicants were left on the County's waitlist while duplicate awards were given.

Small businesses in the unincorporated areas of Shasta County are not required to have a Business License, and only register with the County when they operate under a Fictitious Name. The Jury researched the Better Business Bureau, Chambers of Commerce, and Fictitious Name Filing Data Base to estimate that at least 1,410 rural small businesses were eligible to apply for the CARES Grants.

The FRF had a small staff to conduct the actual work of awarding grants and to administer five coinciding contracts while complying with complicated government regulations. FRF relied on unpaid community volunteers to serve on one or more of the grant reviewing committees to oversee and steer the programs. Time was limited to the then requirement that funds be distributed by December 31, 2020. Time was short, the workload was large. The Federal Government finally extended the deadline to December 31, 2021. Local governments were given only a three-day notice of this extension on December 27, 2020. When the program ended, it was reported at a Board of Supervisor's meeting that \$1,000,000 worth of requests were on a wait list.

The Redding Chamber members received prior notification of the upcoming County Grant Program. Those on the City of Redding waitlist also received prior notification. Those on the Shasta Lake City waitlist were given priority. Followers of the Redding Chamber social platforms received ongoing updates. The County grant program was previewed at the annual State of the City of Redding luncheon. Businesses in the unincorporated areas do not routinely participate in the State of the City of Redding's Luncheon since the focus of that event is on primarily on Redding.

Media coverage of CARES Act application procedures and processes was inadequate for the unincorporated areas of Shasta County. The U.S. Census categorizes Shasta County as a county that has no Internet coverage in 20% of its geographic area, due to both internet dead zones and the inability of residents to pay for services when available. The Jury was unable to determine if these issues resulted in fewer businesses applying.

The Jury acknowledges Shasta County was experiencing a high degree of fear and anxiety during this period. The Jury further acknowledges this pandemic was global, and may not happen exactly again, but other crises on this scale cannot be ruled out. The CARES Act authorizes the next phase titled, American Rescue Plan Act (ARPA), and funds continue to be appropriated to County Governments. A link to Shasta County's ARPA spending plan of \$34,000,000 is included in the References.

The April 2020 census estimates 182,155 citizens residing in Shasta County with 66,850 in the unincorporated areas. This figure is derived by subtracting the populations from the three incorporated Cities. Of those 66,850, the census report designates an estimated 24,500 who live in the areas that are underserved and designated Census Designated Places.

There were no specified benchmarks or standards against which to measure whether priority was properly given to the unincorporated areas as required by the contract. While rapid distribution of funding was achieved, the Jury was unable to find any measurement tool for fairness of distribution.

FINDINGS

- F1 Shasta County recognized the urgency to allocate CARES monies to support small businesses during this historical emergency.
- F2 The contract for the Shasta County CARES Business Grant Program, while prioritizing businesses in the unincorporated areas of the County, contained no language with respect to how that goal would be achieved.
- F3 The lack of contract language for measurements and standards regarding awards to the unincorporated areas unintentionally resulted in the majority of grant monies being disbursed to businesses in the incorporated areas.
- F4 The Second Amendment's new language to the County's contract permitted duplicate awards while multiple businesses on the waitlist went unserved.
- F5 The Jury found there are areas within the County where there is limited or no access to the Internet and cable television services, either due to economics or availability issues, which inadvertently resulted in fewer businesses having knowledge of the Program.

COMMENDATIONS

- C1 Members of the Grant Review Committees who volunteered their time and expertise during a pandemic.
- C2 The cities of Anderson, Shasta Lake and Redding for keeping and providing detailed records of their Spending Plans to this Grand Jury.
- C3 The Shasta County Auditor/Controller Department for keeping and providing detailed records of the county CARES Spending Plan to this Grand Jury

RECOMMENDATIONS

- R1 Shasta County Board of Supervisors shall evaluate and assess best practices to ascertain emergency county-wide needs, and quick response to those needs, during a declared National State and local emergency.
- R2 Shasta County Board of Supervisors must include clear contract language to specifically measure all provisions of the contract are fully monitored and meet.
- R3 The Shasta County Board of Supervisors will identify the areas within the County that are lacking Internet services and establish alternate methods of communication for those areas.

REQUIRED RESPONSES

Pursuant to California Penal Code Sections 933 and 933.05 respectively, the 2022-2023 Shasta Grand Jury requests responses from the following governing body (within 90 days):

- Shasta County Board of Supervisors, F1, F2, F3, F4, F5 and R1, R2, R3

REFERENCES

Shasta County California

<https://www.cityofredding.org/>

<https://www.ci.anderson.ca.us/>

<https://www.cityofshastalake.org/>

<https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments>

<https://dof.ca.gov/budget/COVID-19-information/coronavirus-relief-fund-allocations-for-cities-and-counties/>

Interviews with Shasta County, Cities of Redding, Shasta Lake City, Anderson, and FRF representatives

Shasta County Board of Supervisors Agendas, Agenda Packets, Minutes

City of Redding City Council Agendas, Agenda Packets, Minutes

City of Anderson City Council Agendas, Agenda Packets, Minutes

City of Shasta Lake Council Agendas, Agenda Packets, Minutes

Grant Agreement between the County of Shasta and Forward Redding Foundation and four grant amendments

Shasta County HHS/Business and Support Service Branch Compliance Audit Letters to FRF

Shasta County Auditor/Controller Transaction Report

Shasta County Economic Development Corporation

City of Redding Micro-Enterprise COVID-19 Relief Grant contract with Forward Redding Foundation

City of Shasta Lake MOU with FRF to administer COVID-19 Microenterprise Business Grant Relief Program

City of Anderson Agreement with FRF for Micro Enterprise Service and Loan Program

City of Redding list of CARES Act grantees

City of Redding list of CDBG-CV grantees

City of Redding CARES Act unfunded grant requests

City of Anderson CDBG-CV grantees

City of Shasta Lake Microenterprise Business Grantee list

City of Anderson Micro Enterprise Grantee List

Shasta County CARES Act Grantees

Forward Redding Foundation County CARES Act grantee list

Forward Redding Foundation County CARES Act waitlist

Contract between Forward Redding Foundation and Bookkeeper for program administration

Electronic Google doc

United State Bureau of Census 2020 data

Numerous Excel spreadsheets from Forward Redding Foundation

D.H. Scott, Independent Auditors Report – 3/1/22

SC Single Audit – FY 20/21

Forward Redding Foundation Final Grant Report, August 5, 2020 – December 31, 2020, amended December 31, 2021

Shasta County CARES Act Spending Plan

Shasta County Fictitious Name Filing Data Base

California Better Business Bureau Dunsmuir, Burney, and Intermountain Chambers of Commerce

DISCLAIMERS

Reports issued by a grand jury do not identify individuals interviewed. Penal Code § 929 requires that reports of a grand jury not contain the names of any person or facts leading to the identity of any persons who provide information to a grand jury.

When there is a perception of a conflict of interest involving a member of a grand jury, that member is required to recuse from any aspect of an investigation involving such a conflict and from voting on the acceptance or rejection of a report. One member of the Grand Jury recused from this report.



SHASTA COUNTY

BOARD OF SUPERVISORS

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PATRICK JONES, DISTRICT 4
CHRIS KELSTROM, DISTRICT 5

August 29, 2023

The Honorable Adam B. Ryan
Presiding Judge, Shasta County Superior Court
1500 Court St, Rm 205
Redding, CA 96001

Dear Judge Ryan,

**RE: Response of Board of Supervisors to Fiscal Year 2022-23 Grand Jury Report:
"SHASTA COUNTY CARES"**

The Shasta County Board of Supervisors appreciates the time and dedication which the Fiscal Year 2022-23 Grand Jurors contributed to their charge. The findings and recommendations contained in the report are under serious consideration and discussions are being held regarding solutions to any unresolved problems.

FINDINGS

The Grand Jury findings:

F1. Shasta County recognized the urgency to allocate CARES monies to support small businesses during this historical emergency.

Response: The Board of Supervisors (BOS) agrees with this finding.

F2. The contract for the Shasta County CARES Business Grant Program, while prioritizing businesses in the unincorporated areas of the County, contained no language with respect to how that goal would be achieved.

Response: The BOS agrees with this finding.

F3. The lack of contract language for measurements and standards regarding awards to the unincorporated areas unintentionally resulted in the majority of grant monies being disbursed to businesses in the incorporated areas.

Response: The BOS disagrees wholly with this finding. Most businesses are within the incorporated areas and businesses would only be considered for the grant funds if they applied through the grant application process. Additionally, the FRF contracted with a bookkeeping firm to ensure compliance with the contract and the FRF also created a Grant Review Committee which was comprised of eight individuals from

the business community to review grants.

F4. The Second Amendment’s new language to the County’s contract permitted duplicate awards while multiple businesses on the waitlist went unserved.

Response: The BOS disagrees partially with this finding. The BOS recognizes that recipients of grant funds were eligible for an increased amount due to the amended agreement. Recipients of grant funds were required to reapply to be considered for the additional grant funds up to the new maximum. FRF was responsible for adopting and carrying out these amendments.

F5. The Jury found there are areas within the County where there is limited or no access to the Internet and cable television services, either due to economics or availability issues, which inadvertently resulted in fewer businesses having knowledge of the Program.

Response: The BOS disagrees partially with this finding. Information about the program was made public. Whether businesses were engaged with Shasta County BOS meetings and/or new programs being offered during the COVID-19 pandemic is not limited to their access to internet and cable television services.

RECOMMENDATIONS

The Grand Jury recommends:

R1. Shasta County Board of Supervisors shall evaluate and assess best practices to ascertain emergency county-wide needs, and quick response to those needs, during a declared National State and local emergency.

Response: The recommendation has been implemented. This is a function of the BOS. The BOS will continue to allow emergency response staff to take the lead when emergencies arise. The BOS will also continue to give direction on the handling of events when appropriate.

R2. Shasta County Board of Supervisors must include clear contract language to specifically measure all provisions of the contract are fully monitored and meet.

Response: The recommendation has been implemented. This process has been in effect via Administrative Policy 6-101, *Shasta County Contracts Manual*. The “GRANT AGREEMENT BETWEEN THE COUNTY OF SHASTA AND FORWARD REDDING FOUNDATION,” including the amendments, each utilized the standard contract and amendment templates. County departments are heavily encouraged to use these templates. The template includes a “Responsibilities of Consultant” section as well as a “Responsibilities of County” section. These two sections, including others, allow for each party to include the expectations and/or duties needing to be fulfilled per the agreement.

R3. The Shasta County Board of Supervisors will identify the areas within the

County that are lacking Internet services and establish alternate methods of communication for those areas.

Response: The recommendation requires further analysis, which has already begun. Shasta County is participating in the California State Digital Equity Plan. The California Department of Technology is currently developing the state's digital equity portion of the plan, which will determine the allocation of funds to California. As part of their community engagement efforts, they are seeking input from residents through a brief and anonymous survey. To ensure that Shasta County's needs are accurately represented we need survey responses. Requests to complete a survey were sent out via email and in social media posts. The 10-minute survey can help secure federal dollars for broadband efforts within Shasta County.

This concludes the responses of the Shasta County Board of Supervisors to the Fiscal Year 2022-23 Grand Jury Report entitled "SHASTA COUNTY CARES."

Sincerely,

Patrick Jones, Chair
Board of Supervisors