



February __, 2026

Santa Barbara County Grand Jury
Attn: Foreperson
Grand Jury Chambers
Santa Barbara County Courthouse
1100 Anacapa Street
Santa Barbara, CA 93101

Re: City of Lompoc Sub-Recipient Financial, Programmatic, and Monitoring Reporting Requirement Policy

Dear Members of the Santa Barbara County Grand Jury:

This letter is intended to provide you with an update regarding the City of Lompoc's (the "City") efforts to update its monitoring and financial accountability policy for housing programs and projects receiving City grant funds.

As background, on June 7, 2012, the Santa Barbara County Civil Grand Jury ("Grand Jury") issued a report entitled "A Failure of Oversight: Lompoc Housing and Community Development Corporation," identifying deficiencies in the oversight and monitoring of grants awarded by the County of Santa Barbara and the City of Lompoc to the Lompoc Housing and Community Development Corporation ("LHCDC"), a non-profit organization that owned and operated shelters and other affordable housing projects within the City. In the report, the Grand Jury issued findings and recommendations to the City, which included, in part, the following:

The Lompoc Redevelopment Agency did not enforce the restrictive covenants on Lompoc Housing and C property. Official notices of noncompliance did not enunciate consequences nor did the Redevelopment Agency Board of Directors take action when it had the opportunity.

That the Lompoc City Council establish a policy that the Management Services Director conduct an annual audit, with time certain deadlines, of all organizations that receive City Funds in excess of \$50,000.

That the Lompoc Management Services Director report the results of these audits annually to the City Council prior to budget approval.

That the City of Lompoc appropriate the necessary funds to allow the Management Services Director to conduct annual audits or, where permissible,

require that organizations receiving county-controlled funds in excess of \$100,000 bear the cost of an annual audit.

That the City of Lompoc withhold all funding from any organization that fails to supply complete records for annual audits or has failed to meet requirements of existing contracts.

On September 4, 2012, the City of Lompoc responded to the Grand Jury expressing regret for the City's previous inaction and a commitment by the City to improve financial accountability and monitoring for sub-recipients of City housing grants. In addition to other action the City would be taking to improve accountability, the City's response indicated that the City Council desired to "establish a policy and to develop procedures to implement" the recommendations made by the Grand Jury. The letter described certain concepts being considered for inclusion in the policy, such as having audits conducted by an independent third party auditor, review of grant sub-recipient financial information, annual reporting to City Council, and consequences for grant sub-recipients that fail to comply with these requirements.

At the City Council meeting held on May 6, 2014, the City Council adopted Resolution No. 5916(14) adopting Lompoc Administrative Procedures Manual Chapter 45 – Issue 1 (eff. July 1, 2014), which formally established the policy recommended by the Grand Jury (the "Policy"). The Policy included a number of different elements, including at a high level, the following:

Financial reporting requirements for grant sub-recipients based on the amount of the award. Sub-recipients receiving awards in excess of \$50,000 are required to submit an independent audit, unless approved by a City-established Compliance Committee.

City staff oversight over the financial reporting process, followed by a series of required notices in the event a sub-recipient of City grant funds fails to timely submit its annual report, followed by reporting to City Council. City staff are also required to prepare an annual audit compliance report each year identifying audit exceptions or concerns resulting from the audits of grant sub-recipients.

Grant program compliance reviews required by grant awards to the City that include in-house documentation reviews, assessment of sub-recipient risk levels, review of rent rolls, confidential tenant surveys, and property ownership surveys.

Development of grant agreement templates, recordation of deeds of trust and covenants in a manner that obtains the highest possible priority over other recorded documents with respect to properties being developed with grant funds, limitations on the ability of a grant sub-recipient to resubordinate any existing City loan, the ability to pursue civil remedies, and mandatory sub-recipient training requirements.

Reporting by the City of all of the activities being monitored under the Policy to City Council on an annual basis.

Though the City recognizes and appreciates the importance of grant compliance monitoring, the City has determined that operation in accordance with this policy is no longer reasonable and warranted for the following reasons. First, the City's compliance activities under Chapter 45 require an extensive amount of City resources in order to meet all of the requirements of the policy. Even during recent years when there are no outstanding housing grants in excess of \$50,000 (i.e., the threshold for a number of the requirements in the policy), the City estimates it spends approximately \$25,000 to \$50,000 per year in staff time to ensure that all requirements of Chapter 45 are met. Additionally, the City does not currently have any housing grants in excess of \$50,000 and believes it has worked to establish controls that will effectively monitor program compliance if grants subject to the policy are awarded in the future. The City is also concerned that these extensive monitoring and compliance requirements may result in reduced interest in City grant programs due to the onerous nature of such requirements. For these reasons, the City desires to streamline its future grant compliance activities and repeal Chapter 45 given the City's fiscal constraints and limited staff resources.

Notwithstanding the proposed repeal of the Policy, the City commits to continuing certain practices required under the Policy, including: (1) clear and robust language in City grant award agreements regarding a recipient's obligation to comply with all grant requirements and consequences for failure to do so; (2) clear financial conditions in grant agreements that must be satisfied by the grant sub-recipient; (3) reporting requirements for grant sub-recipients to aid in compliance monitoring; and (4) compliance monitoring needed to comply with grant requirements in grant awards to the City and to ensure that applicable legal requirements for grant programs are satisfied by grant sub-recipients.

In the event you have any questions regarding the information contained in this letter or the City's proposed repeal of Chapter 45, please do not hesitate to contact me at

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Very truly yours,

Enc: Draft Repeal Resolution