Two days after state auditors disclosed that Oakland misspent federal stimulus dollars meant for job creation, Mayor Ron Dellums said the city's Recovery Act problems are a thing of the past.

The city, he said, had made "virtually all of the necessary changes" by the time the results of a review were released Tuesday by Laura Chick, the state inspector general in charge of tracking the spending of federal stimulus funds in California.

'It's much ado about nothing, man," Dellums said in his first comments on the matter. "It's an accounting matter."

Chick's auditors found that Oakland, which has struggled with an 18.3 percent unemployment rate, did not properly account for about $830,000 of the $3 million in stimulus grants it received last year for summer youth, adult and dislocated-worker programs. Auditors found the city arbitrarily used the funds, inflated job numbers and made serious accounting mistakes that made it difficult for them to track how the money was spent.

Auditors also rejected the city's contention that some of the funds were properly spent, including $2,806 used to send youths to places that included the Santa Cruz Beach Boardwalk and a Concord water park.

On Thursday, Dellums insisted the trips were allowable expenditures under the federal jobs creation program.

'It's about quality of life," Dellums said. "It's about inspiration."

The mayor also criticized the news media for highlighting the trips in their reports.

'Get over it," he said. "This is much ado about nothing."

Dellums had refused to discuss the state audit earlier this week. But on Thursday, he held a news conference to announce a new stimulus grant: $3.45 million for specialized systems to clean Lake Merritt.

'Frankly, if this audit had taken place one month later, there probably would not have been any audit," he told The Chronicle after the news conference.

Dellums said the problems identified in the state's report were largely due to an accounting procedure the city undertook with the state's blessing. He said the city temporarily borrowed stimulus money for job programs that nonstimulus federal money was supposed to fund. The city says the money has now been paid back.
But on Thursday, Chick disputed Dellums' contention that the accounting procedure was approved by the state Employment Development Department, which declined to comment. City administration, including Dellums' chief of staff, Marisol Lopez, said the permission was given orally.

"Absent documentation, we can't agree with that," Chick said. "To the contrary, we have evidence that EDD was meeting with them in December, concerned that they weren't spending (nonstimulus) dollars" that were available at the time.

Chick said she believes the city is on a path to rectifying the problems. She said she does not plan to follow up to confirm that the problems are fixed, however.

State auditors said they were concerned that stimulus funds intended to create jobs were given by the city to a nonprofit, the Oakland Private Industry Council, which did not have a contract with the city from July 2009 until earlier this month.

As mayor, Dellums is ultimately responsible for how the city spends its stimulus funds. In addition, he appoints all the members of the Oakland Workforce Investment Board, the city panel that is supposed to oversee certain federal jobs programs. State auditors found the panel gave 100 percent of the federal job stimulus funds to the Oakland Private Industry Council, which administers job-training programs for low-income youth and young adults, to manage. The nonprofit's executive director, Gay Plair Cobb, is a close ally of the mayor's.

Dellums often claims that the city's success in obtaining stimulus funds makes it a standout among the nation's municipalities. The city has brought in over $80 million in stimulus money under Dellums.

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http://sfgate.com/cgi-bin/article.cgi?f=/c/a/2010/04/23/MN0T1D30C0.DTL

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

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