

Auditor claim:

- The City lacks assurance that its grants to Saba were worthwhile due to the following points:

Saba correction:

- Saba's high overhead fee: The City does not have an overhead cost policy. The auditor calculated Saba's overhead using incomplete data, calculating it at 30% - which is incorrect. Our actual overhead is 7.5%.
- Furthermore, a 30% overhead cost for non-profits is well within the normal rate, according to standard non-profit accounting protocols.

Auditor claim:

- Cardholder activity indicated a preference for full-service grocery stores.
- The effectiveness of using refrigeration units at smaller stores to address "Food Deserts" remains unknown.

Saba correction:

- This claim is appropriate within a *program evaluation* scope, yet it was made based on financial reports acquired by the City Auditor. Because the audit was presented to Saba as a financial audit, not a program evaluation, we did not submit reports or data to the auditor to prove the effectiveness of our program.
- We dispute this claim as it is based on insufficient information. Saba is the produce distributor to corner stores, the sole such service in the City dedicated to these small, mom-and-pop-run stores, which offer unprecedentedly valuable infrastructure and community commitment to reach underserved residents where they live and must shop because other grocery options are non-existent.
- Since we began offering this service, we have distributed a total of **\$600,050.24** worth of produce to corner stores located in the 'food deserts' of deep East and West Oakland. The service is deeply valued by store owners and residents alike, as these communities lack basic access to fresh, healthy food. The produce sells out every week, proving that residents are as eager to purchase it as store owners are to sell it.
- These stores received refrigeration units through these two audited grants. Without refrigeration, produce will not remain fresh, appealing and saleable, rendering the program unfeasible. PepsiCo and other sugary beverage companies offer free installation, delivery and maintenance of their refrigerator units, displaying a tempting range of perfectly chilled products, painting a stark picture of Saba's competition for infrastructure resilience.
- Shopping habits are deeply ingrained and unlikely to be changed by a program with a duration of 2.5 months, launched during the height of the COVID pandemic.
- Our program goals were: 1) long-term: to establish infrastructure to increase fresh food access in food deserts, and 2) short-term: to make fresh food and essential PPE available to residents at the height of the pandemic.

- With a 91% card redemption rate in 2020, and \$600,050.24 spent on produce at corner stores since 2020, we did an outstanding job at achieving these goals and improving the quality of life, health and food access to City of Oakland residents. The effectiveness of our program is very clear.

Auditor claim:

- Saba debit cards were vulnerable to misuse due to the following points:
- Use of Saba debit cards are not limited to healthy foods

Saba correction:

- Prior to starting these grants, we discussed the processes in place to limit the card use to healthy foods and essential items (PPE's during COVID) with the City of Oakland.
- The auditor is referring to a lack of tracking of each product/SKUs purchased using the food cards. This is due to the fact that consumer purchase data is considered Private Personal Information under Federal Law. No business or entity is allowed to legally track transaction data. Please refer to the Gramm-Leach-Bliley Act* for more information. We communicated this with the City of Oakland prior to starting the grant. *Our current program is enhanced in this area.*

Auditor claim:

- 9% of cards weren't used, totalling \$22,500 in unused funds

Saba correction:

- Our program redemption rate was 91%, which means 9% of the money on the cards distributed was not spent.
- We are very proud of this 91% redemption rate on our programs, which is exceptionally high. Compare this with a 30% redemption rate, which is the norm for other organizations and entities. This number alone proves how needed and valued our service is to Oakland's low-resource communities in which these corner stores operate.
- Leaving a small amount of funds on a gift card is extremely common in the retail sector, and in this case Saba was no exception. If a customer does not spend the total amount of funds on a Target gift card, for example, that money will go back to the original supplier after the card expires and a reconciliation is complete.
- Some residents used their cards but had leftover funds that they forgot about, lost, or just did not spend. That amount is the 9% the auditor is referring to.
- After the cards expired (12 months later), and the vendor completed their reconciliation process (4 months), Saba received a payment in mid-2022 of ~ \$20,000, and put it towards the Fresh5x Virtual Food Card program and redistributed it to residents as financial benefits to purchase produce.

** Financial transactions are considered Personal Identifiable Information and subject to federal regulation related to data privacy, specifically the Gramm–Leach–Bliley Act.*

- This was a learning for us and helpful to understand at depth. *Based on this information, we redesigned our programs to prevent this from recurring.*

Auditor claim:

- Some cards were distributed to other organizations' staff and volunteers.

Saba correction:

- Saba partnered with 9 CBOs to deliver the cards and has created MOUs that outlined the guidelines for each organization on the eligibility criteria for these cards. Saba had no way of identifying volunteers, or staff of partner organizations. For example, the City of Oakland Parks & Rec staff list is not publicly available for Saba to review to ensure City staff aren't utilizing these cards.
- Resident leaders of SFP used their own addresses in situations where undocumented individuals were unwilling to provide an address.
- It's important to reinforce that Saba has closed the loop on the above-mentioned "vulnerabilities" in our program since 2020. Currently only SNAP participants are eligible for Saba's Food Card Program.

Auditor claim:

- Poor management and oversight of City grants to Saba prevented the City from ensuring taxpayer money was well spent:
- \$7,590 worth of food cards were not distributed as initially intended per grant budget.

Saba correction:

- This is true. Saba has shifted this expense in the budget after acquiring approval from City staff and Grant Manager.

Auditor claim:

- Saba spent \$500 of the \$500,000 grant for employee appreciation .

Saba correction:

- This is true. We approved staff appreciation bonuses at the end of our COVID program in December 2020. All Saba staff tested positive for COVID during the delivery of this program; as essential workers providing healthy food to city residents, we found this a justifiable expense. We agree we should have communicated with the City prior to processing this expense and are happy to discuss re-payment within the context of the \$2.5M contract owed to Saba.
- Saba submitted a quote vs. an invoice to the City, and the auditor located the invoice from the supplier which noted that our expenses were less by \$462 dollars. We made a mistake in our submission, and the city made a mistake in processing the quote. We are happy to reconcile this within the context of our upcoming \$2.5M contract.