



Transmitted via e-mail

March 10, 2011

Ms. Kim Garcia, Assistant Director of Administration
Office of Traffic Safety
2208 Kausen Drive, Suite 300
Elk Grove, CA 95758

Dear Ms. Garcia:

Final Report—California Department of Public Health, Office of Traffic Safety Grant Audit

The Department of Finance, Office of State Audits and Evaluations (Finance), has completed its audit of the California Department of Public Health's (CDPH) grant agreement OP0905, for the period October 1, 2008 through September 30, 2009.

CDPH's response to the report findings are incorporated into this final report. CDPH agreed with our observations and we appreciate its willingness to implement corrective actions. The observations in our report are intended to assist management in improving its program.

The final report will be placed on our website. Additionally, pursuant to Executive Order S-20-09, please post this report in its entirety to the Reporting Government Transparency website at <http://www.reportingtransparency.ca.gov/> within five working days of this transmittal.

We appreciate the assistance and cooperation of CDPH staff. If you have any questions regarding this report, please contact Frances Parmelee, Manager, or Evelyn Suess, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

David Botelho, CPA
Chief, Office of State Audits and Evaluations

Enclosure

cc: Ms. Donna Black, Regional Coordinator, Office of Traffic Safety
Ms. Deborah Hrepich, Associate Accounting Analyst, Office of Traffic Safety
Mr. Alan Lum, Deputy Director, California Department of Public Health
Ms. Jacquolyn Duerr, Branch Chief, Safe and Active Communities Branch, California
Department of Public Health
Ms. Barbara Alberson, Chief, State and Local Injury Control Section, California Department
of Public Health
Ms. Kate Bernacki, Coordinator for the Vehicle Occupancy Safety Program, California
Department of Public Health
Ms. Karen Petruzzi, Audit Coordinator, California Department of Public Health

A GRANT AUDIT

California Department of Public Health
Vehicle Occupancy Safety Program
Grant Agreement OP0905

Prepared By:
Office of State Audits and Evaluations
Department of Finance

MEMBERS OF THE TEAM

Frances Parmelee, CPA
Manager

Evelyn Sues
Supervisor

Staff
Mindy Patterson

Final reports are available on our website at <http://www.dof.ca.gov>

You can contact our office at:

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Office of State Audits and Evaluations
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Sacramento, CA 95814
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BACKGROUND, SCOPE, AND METHODOLOGY

BACKGROUND

The Office of Traffic Safety (OTS) is charged with the responsibility of obtaining and distributing federal funds in an effort to carry out the direction of the National Highway Traffic Safety Act. These federal funds are designed to mitigate traffic safety problems as defined by the Highway Safety Plan. Currently, there are eight program priority areas earmarked for grant funding: Alcohol and Other Drugs, Occupant Protection, Pedestrian and Bicycle Safety, Emergency Medical Services, Traffic Records, Roadway Safety, Motorcycle Safety, and Police Traffic Services. OTS allocates funds to state and local government agencies to implement these programs via grant awards.

The California Department Public Health (CDPH), Safe and Active Communities Branch, received an OTS grant to promote best practices in child passenger safety and reduce crash-related injuries for all children through the age of eight. The grant's objectives were to: (1) refine the technician training system by increasing opportunities to reach out to instructors, and (2) strengthen local public health department capacity by providing individualized technical assistance, conducting network in-service teleconferences, and facilitating collaboration to share child passenger safety interventions, resources, and funding.

SCOPE

In accordance with an interagency agreement, the Department of Finance, Office of State Audits and Evaluations (Finance), conducted an audit of the grant listed below:

<u>Grant Agreement</u>	<u>Audit Period</u>	<u>Amount</u>
OP0905	October 1, 2008 through September 30, 2009	\$349,581

The audit objective was to determine whether CDPH's grant expenditures were in compliance with applicable laws, regulations, and grant requirements. In order to design adequate procedures to evaluate fiscal compliance, we obtained an understanding of the relevant internal controls. We did not assess the efficiency or effectiveness of program operations.

CDPH management is responsible for ensuring accurate financial reporting and compliance with applicable laws, regulations, and grant requirements as well as evaluating the program's efficiency and effectiveness. OTS is responsible for state-level administration of the grant funds.

METHODOLOGY

To determine whether grant expenditures were in compliance with applicable laws, regulations, and the grant requirements, we performed the following procedures:

- Interviewed key personnel.
- Obtained an understanding of the grant-related internal controls.
- Examined the grant files.
- Reviewed CDPH's accounting records.
- Determined whether a sample of expenditures were:
 - Allowable
 - Grant-related
 - Incurred within the grant period
 - Supported by accounting records
 - Properly recorded
 - Not double-billed to other revenue sources
- Evaluated whether the goals and objectives required by the grant agreement were met.

The results of the audit are based on our review of documentation, other information made available to us, and interviews with the staff directly responsible for administering grant funds. The audit was conducted from August 2010 through December 2010.

Except as noted, this audit was conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. In connection with this audit, there are certain disclosures required by *Government Auditing Standards*. Finance is not independent of CDPH, as both are part of the State of California's Executive Branch. As required by various statutes within the California Government Code, Finance performs certain management and accounting functions. These activities impair independence. However, sufficient safeguards exist for readers of this report to rely on the information contained herein.

Except as noted below, the California Department Public Health’s (CDPH) grant expenditures were in compliance with applicable laws, regulations, and the grant requirements. The Schedule of Claimed, Audited, and Questioned Amounts is presented in Table 1.

Table 1: Schedule of Claimed, Audited, and Questioned Amounts

Grant Agreement OP0905 For the Period October 1, 2008 through September 30, 2009			
Category	Claimed	Audited	Questioned
Personnel Costs	\$185,552	\$185,552	\$ 0
Travel Expenses	845	845	0
Contractual Services	63,800	63,800	0
Other Direct Costs	42,325	29,820	12,505
Indirect Costs	23,009	23,009	0
Total Expenditures	\$315,531	\$303,026	\$12,505

Observation 1: Inadequate Fiscal Monitoring and Controls Resulted in Questioned Costs

Lack of proper fiscal monitoring and controls resulted in questioned costs of \$12,505. Specifically, a process does not exist to ensure project files and accounting records properly support claimed costs. As a result, CDPH could not provide documentation to support “other direct costs” consisting of office supplies, educational materials, printing/duplication, and communications charges. We identified \$3,881 in eligible printing charges not previously claimed for reimbursement and reduced the total questioned costs from \$16,386 to \$12,505. In addition, we noted the following conditions requiring management’s attention:

- Reimbursement claims submitted to OTS are not consistently recorded as receivables in CDPH’s accounting system.
- Subcontractor invoices were prepared by CDPH to expedite payment processing. Further, subcontracted work performed was not verified by CDPH prior to payment.

Without accurate and complete records of actual grant costs, CDPH cannot ensure claimed costs are grant-related, supported, and allowable. Additionally, inadequate separation of duties, and weak monitoring and review increase the risk of grant goals and objectives not being fully met and inaccurately reported. OTS Grant Manual sections 4.1, 4.4, and 5.1 state: (1) it is the applicant agency’s responsibility to ensure grant costs are supported by detail source

documents that reliably account for funds expended, (2) the purchase of any other grant supplies, materials, or minor equipment not requiring contractual agreements must be supported by purchase orders or other original documents, and (3) claims should be prepared using the agency's accounting records and based only on recorded costs for the period covered.

OTS Grant Manual section 6.12 states the applicant agency is responsible for the management of all contracts issued using OTS funds and must: (1) review and approve invoices for payment ensuring payments are made in accordance with contract terms, costs are budgeted and allowable, and work has been performed, and (2) verify all requirements of the contract are fulfilled before submitting the final invoice. In addition, OTS Grant Manual section 5.1 states that to ensure proper accounting for reimbursements, invoices submitted to OTS should be recorded as a receivable in the accounting system.

Recommendations:

CDPH should:

- Refund questioned costs of \$12,505 to OTS.
- Adequately review claims prior to OTS submission to ensure only actual, eligible, and supported grant costs are claimed for reimbursement.
- Develop and implement procedures to ensure grant activity, expenditures, and reporting are adequately monitored, sufficiently supported, and accurately reported in the accounting system.
- Discontinue preparing invoices on behalf of subcontractors. Establish a process to ensure subcontracted work is completed prior to payment.

Appendix A of the California Department of Public Health's response was omitted for brevity.

State of California—Health and Human Services Agency
California Department of Public Health



MARK B HORTON, MD, MSPH
Director



EDMUND G. BROWN JR.
Governor

FEB 18 2011

David Botelho, Chief
Department of Finance
Office of State Audits and Evaluations
300 Capitol Mall, Suite 801
Sacramento, CA 95814

Dear Mr. Bothello,

The California Department of Public Health (CDPH) has prepared its response to the draft report by Department of Finance, Office of State Audits and Evaluations entitled, "California Department of Public Health, Office of Traffic Safety Grant Audit." The CDPH appreciates the opportunity to provide the Department of Finance with a response to the draft report.

If you have any questions, please contact Karen Petruzzi, CDPH Audit Coordinator at (916) 650-0266.

Sincerely,

Original signed by:

Mark B Horton, MD, MSPH
Director

Enclosure

**California Department of Public Health (CDPH) Response to the
Department of Finance, Office of State Audits and Evaluations (Finance)
Draft Report Entitled:
A Grant Audit, CDPH Vehicle Occupant Safety Program Grant Agreement OP0905
December 2010
Report 112700013 DDR**

Observation 1: Inadequate Fiscal Monitoring and Controls Resulted in Questioned Costs

Recommendation 1:

CDPH should refund questioned costs of \$12,505 to OTS.

CDPH Response 1:

CDPH agrees that questioned costs in the amount of \$12,505 do not have appropriate documentation. As a result, CDPH agrees that the Office of Traffic Safety (OTS) should be refunded up to \$12,505 depending on the amounts CDPH may be able to appropriately document. CDPH will work with Office of State Publishing (OSP) to document actual expenses and refund OTS accordingly. CDPH will resolve this issue by May 31, 2011.

Recommendation 2:

CDPH should adequately review claims prior to OTS submission to ensure only actual, eligible, and supported grant costs are claimed for reimbursement.

CDPH Response 2:

CDPH agrees that all claims should be adequately reviewed prior to OTS submission to ensure that actual, eligible, and supported grant costs are claimed for reimbursement.

CDPH will enhance program policy and the develop a new Safe and Active Communities Branch (SACB) Desk Manual that will include a requirement that all invoices be reviewed by the Chief of the Administrative Support Unit within SACB prior to submittal to the SACB Section Chief for review and signature. Invoices may be submitted with estimated expenditures however, these estimates will be reconciled with documentation of actual expenses and submitted with subsequent invoices. All invoices will be reconciled against CDPH CALSTARS reports. CDPH will implement this recommendation by August 30, 2011.

Recommendation 3:

CDPH should develop and implement procedures to ensure grant activity, expenditures, and reporting are adequately monitored, sufficiently supported, and accurately reported in the accounting system.

CDPH Response 3:

CDPH agrees with the recommendation that procedures should be developed and implemented to ensure grant activity, expenditures, and reporting are adequately monitored, sufficiently supported, and accurately reported in the accounting system. As part of the new SACB Desk Manual, CDPH will develop and implement procedures by August 30, 2011.

Recommendation 4:

CDPH should discontinue preparing invoices on behalf of subcontractors.

CDPH Response 4:

CDPH agrees that the preparation of invoice forms gave the appearance of "preparing invoices" for the contractors and this practice has been discontinued.

Beginning in November 2010, CDPH had fully implemented the corrective action. New subcontractor instructions have been drafted and are now used (see Appendix A) whereby, upon completion of services, a subcontractor is required to submit each invoice on a prepared invoice form or their own letterhead. CDPH will no longer prepare invoices for subcontractors.

Recommendation 5:

CDPH should establish a process to ensure subcontracted work is completed prior to payment.

CDPH Response 5:

CDPH agrees that a process to ensure subcontracted work is completed prior to payment is needed.

CDPH has fully implemented a corrective action. As of November 2010, new guidelines for subcontractors require that upon completion of the agreed-upon services, subcontractors must submit all pertinent documentation to verify the child passenger safety training sessions were completed. Such documentation will include a roster with the names of the attendees, final test scores with approvals for certification, evaluation forms, etc., and will be identified as a requirement for reimbursement in the vendor's scope of work (see Appendix A.).