



Transmitted via e-mail

September 5, 2013

Ms. Michele Meadows, Assistant Director of Administration (Acting)
Office of Traffic Safety
2208 Kausen Drive, Suite 300
Elk Grove, CA 95758

Dear Ms. Meadows:

Final Report—Department of Alcoholic Beverage Control, Traffic Safety Grant Audit

The Department of Finance, Office of State Audits and Evaluations, has completed its audit of the Department of Alcoholic Beverage Control's (ABC) grant AL1060 for the period October 1, 2009 through September 30, 2011.

The enclosed report is for your information and use. ABC's response to the report observations and our evaluation of the response are incorporated into this final report. This report will be placed on our website.

We appreciate the assistance and cooperation of ABC. If you have any questions regarding this report, please contact Kimberly Tarvin, Manager, or Rebecca McAllister, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

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

Enclosure

cc: Ms. Deborah Hrepich, Associate Accounting Analyst, Office of Traffic Safety
Ms. Trina Nguyen, Associate Accounting Analyst, Office of Traffic Safety
Ms. Lisa Dixon, Regional Coordinator, Office of Traffic Safety
Ms. Leslie Witten-Rood, Assistant Director of Operations, Office of Traffic Safety
Mr. Eduardo Jimenez, Assistant Director, Department of Alcoholic Beverage Control
Ms. Ging Tucker, Fiscal Officer, Department of Alcoholic Beverage Control
Ms. Lori Ajax, Deputy Division Chief, Department of Alcoholic Beverage Control

AUDIT REPORT

Department of
Alcoholic Beverage Control
Grant Agreement AL1060

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

MEMBERS OF THE TEAM

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

You can contact our office at:

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BACKGROUND, SCOPE AND METHODOLOGY

BACKGROUND

The Office of Traffic Safety's (OTS) mission is to effectively and efficiently administer traffic safety grant funds to reduce traffic deaths, injuries, and economic loss. OTS implements its mission by awarding grants to local and state public agencies from several federal funding sources. The ten priority areas of concentration for grant funding include the following: Alcohol-Impaired Driving, Distracted Driving, Drug-Impaired Driving, Occupant Protection, Pedestrian and Bicycle Safety, Traffic Records, Emergency Medical Services, Roadway Safety, Police Traffic Services, and Motorcycle Safety.¹

The Department of Alcoholic Beverage Control (ABC) received a \$2,097,590 grant from OTS to continue funding the Target Responsibility for Alcohol Connected Emergencies (TRACE) and Combined Responsibility in Educating and Eliminating Drunk Driving (CREED) operations. The grant provides funding for TRACE investigations; outreach to new stakeholder groups; training of unified school districts, community colleges, and university police departments; educational materials and promotional items; and statewide recognition of officers, prosecutors, educators, and community members for their efforts in combating alcohol-related deaths and injuries. Additionally, ABC partnered with a community service organization to educate and bring driving under the influence awareness to California communities.²

SCOPE

In accordance with an interagency agreement, the Department of Finance, Office of State Audits and Evaluations (Finance), audited grant agreement AL1060 for the period October 01, 2009 through September 30, 2011.

The audit objectives were to determine whether ABC's grant expenditures claimed were in compliance with applicable laws, regulations, and grant requirements; and to determine whether the grant objectives were completed as required. We did not assess the efficiency or effectiveness of program operations.

ABC's management is responsible for ensuring accurate financial reporting and compliance with applicable laws, regulations, and grant requirements. OTS is responsible for the state-level administration of the grant program.

¹ Excerpts from www.OTS.ca.gov.

² Excerpts from grant agreement AL1060.

METHODOLOGY

To determine whether grant expenditures were in compliance with applicable laws, regulations, and the grant requirements; and if the grant objectives were completed as required, we performed the following procedures:

- Interviewed key personnel to obtain an understanding of the grant-related internal controls.
- Examined the grant files, grant agreement, and applicable policies and procedures.
- Reviewed ABC's accounting records, vendor invoices, personnel records, and subcontractor records.
- Selected a sample of claimed expenditures and determined whether they were allowable, grant-related, incurred within the grant period, supported by accounting records, and properly recorded.
- Evaluated whether other revenue sources were used to reimburse expenditures claimed for reimbursement under the grant agreement.
- Evaluated whether a sample of grant objectives required by the grant agreement were met by reviewing supporting documentation.

Except as discussed in the following paragraph, we conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In connection with our audit, there are certain disclosures required by generally accepted government auditing standards. Finance is not independent of ABC, 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.

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

Except as noted below, the grant expenditures claimed complied with the grant agreement requirements. However, the grant objectives were not fully met. The Schedule of Claimed and Questioned Amounts is presented in Table 1 with the observations presented below.

Table 1: Schedule of Claimed and Questioned Amounts

Grant Agreement AL1060		
Category	Claimed ¹	Questioned
Personnel Costs	\$ 802,611	\$ 6,423
Travel Expense	9,666	-
Contractual Services	1,111,047	-
Other Direct Costs	9,400	-
Total Expenditures	\$ 1,932,724	\$ 6,423

Observation 1: Annual Leave Costs Claimed Exceeded Annual Leave Earned

ABC was reimbursed \$6,423 in personnel costs for annual leave used in excess of the amount earned by an employee. Per the OTS Program Manual, section 2.3.1, costs for authorized absences are only reimbursable up to the amount earned during the term of the grant.

Recommendations:

- A. Remit \$6,423 to OTS. OTS will make the final determination regarding disposition of the questioned costs.
- B. For future grants, develop a leave tracking procedure for grant reimbursed positions to ensure that costs claimed for authorized absences do not exceed the allowable amounts.

Observation 2: Grant Objectives Not Fully Met

For 5 of 13 grant objectives required by the grant, ABC either did not meet the objective or could not provide adequate documentation that demonstrated the objective was met. (See Table 2 below.) The grant agreement outlines the objectives required to be accomplished by ABC. Failure to meet the objectives may result in withholding or disallowance of grant reimbursements, the reduction or termination of grant funding, or denial of future grant funding.

¹ OTS awarded \$2,097,590 and ABC claimed \$1,932,724.

Table 2: Schedule of Objectives Not Met

Objective	Requirement	Results
2	To contact and offer TRACE protocol training to law enforcement agencies that represent unified school districts, community colleges, and universities. Provide training to 62 of those agencies by September 30, 2010.	<p>ABC did not maintain adequate documentation to demonstrate that Objective 2 was met.</p> <p>The documentation provided was inconsistent and incomplete. For example, Claim 4 stated 49 trainings were held from January 1, 2011 through March 31, 2011. The ABC legacy database reconstructed data indicated that 4 trainings were held during this period. Another listing provided by ABC only identified the day and month of the training. Therefore, it could not be determined which year the training was provided.</p>
3	To respond to 70 percent of TRACE notifications within 24 hours of notification by March 31, 2010, 80 percent by June 30, 2010, and 90 percent by September 30, 2011.	The Final Report Executive Summary reported an 86 percent response rate for responding to TRACE incidents within 24 hours of notification.
7	To distribute MADD's ¹ Underage Drinking Prevention Education and Awareness program statewide, through the MADD State Charter and Affiliated Offices. MADD's Underage Drinking Prevention Class Pack program includes teachers' curriculum and student handouts. The State Charter Office will implement 7 elementary school programs, 7 junior high programs, and 7 high school outreach programs for a total of 21 programs by September 30, 2010, and an additional 5 programs at each level for a total of 36 programs by September 20, 2011 in Sacramento, Yolo, Placer, and El Dorado counties.	<p>Per the Final Quarterly Report, MADD's Multi-Media School Outreach Programs were implemented instead of the Underage Drinking Prevention Education and Awareness program specified in the grant agreement.</p> <p>Furthermore, documentation provided to support the reported activities was inconsistent. For example, Claim 6 reported 3 State Charter Office programs were implemented. Documentation of these programs listed 21 individual activities such as, "The Zoo Pack," "Real DUI in School," and "E15 Assembly Speaker." However, event request forms for the same period identified only 8 events.</p>
8	To implement MADD's UMADD ² College Campus Program in 1 university or college campus in Sacramento, Yolo, Placer, or El Dorado County for a total of 3 programs by September 30, 2010, and expand the number of UMADD programs to 2 in those selected counties for a total of 6 programs by September 30, 2011.	Based on the Final Quarterly Report, UMADD was implemented in 6 universities or college campuses during the grant period. However, only 1 of the 6 UMADD programs was implemented within the counties specified in the grant objective.
11	To deploy MADD's California Crashed Car Exhibit Trailers, including wet lab and/or ignition interlock demonstrations, to 65 events across the state by September 30, 2010 and another 65 events by September 30, 2011.	Documents provided did not support the number of events claimed in the quarterly reports. For example, for one claim the Quarterly Report indicated 52 events were held. However, towing invoices only supported 7 events. Additionally, MADD Event Request forms did not indicate whether the California Crashed Car Trailer was present at the event.

¹ Mothers Against Drunk Driving

² University Mothers Against Drunk Driving

Recommendations:

For future grants, ABC should perform the following:

- A. Effectively plan and monitor the grant activities to ensure objectives are fully met. If an objective is changed, the grant should be amended to reflect the revised objective.
- B. Implement procedures to ensure adequate supporting documentation is retained to demonstrate the required objectives were met.
- C. Strengthen oversight and monitoring activities to ensure the subcontractor is meeting the grant objectives and adequate supporting documentation is maintained.

OTS will determine the actions, if any, to take related to the unmet objectives.

Memorandum

To: Dave Botelho, Chief
Office of State Audits and Evaluations
915 L Street
Sacramento, CA 95814-3706

Date: August 5, 2013

From: Ed Jimenez, Assistant Director, Administration
Department of Alcoholic Beverage Control
3927 Lennane Drive, Suite 100
Sacramento, CA 95834

Subject: **Traffic Safety Grant Audit AL1060 – Department of Alcoholic Beverage Control**

This will serve as the Department of Alcoholic Beverage Control's (ABC) response to the findings and recommendations made by the Office of State Audits and Evaluations in their audit of Traffic Safety grant AL1060 for the period of October 1, 2009 through September 30, 2011.

The ABC extends our thanks to you and your staff for conducting this review. We believe, that as a result of this review, ABC has or will have in place the proper policies, procedures, and control mechanisms to address the findings and recommendations.

Schedule of Claimed and Questioned Amounts

Observation 1: Annual Leave Costs Claimed Exceeded Annual Leave Earned

ABC was reimbursed \$6,423 in personnel costs for annual leave used in excess of the amount earned by an employee. Per the OTS Program Manual, section 2.3.1, costs for authorized absences are only reimbursable up to the amount earned during the term of the grant.

Recommendations:

- A. Remit \$6,423 to OTS. OTS will make the final determination regarding disposition of the questioned costs.
- B. For future grants, develop a leave tracking procedure for grant reimbursed positions to ensure that costs claimed for authorized absences do not exceed the allowable amounts.

Response to Recommendations:

We concur. ABC will remit \$6,423 in personnel costs to OTS. In addition, ABC has already developed a system to track employee leave balances assigned to a grant to ensure that costs claimed for authorized absences do not exceed the allowable reimbursable amounts.

Observation 2: Grant Objectives Not Fully Met

For 5 of 13 grant objectives required by the grant, ABC either did not meet the objective or could not provide adequate documentation that demonstrated the objective was met. (Objectives 2, 3, 7, 8, 11). The grant agreement outlines the objectives required to be accomplished by ABC.

Objective 2

Requirement: To contact and offer TRACE protocol training to law enforcement agencies that represent unified school districts, community colleges, and universities. Provide training to 62 of those agencies by September 30, 2010.

Results: ABC did not maintain adequate documentation to demonstrate that Objective 2 was met. The documentation provided was inconsistent and incomplete. For example, Claim 4 stated 49 trainings were held from January 1, 2011 through March 31, 2011. The ABC legacy software system report indicated that 4 trainings were held during this period. Another listing provided by ABC only identified the day and month of the training. Therefore, it could not be determined which year the training was provided.

Response: As stated in the grant review, the legacy database server containing the statistical data was not functioning. The data set was reconstructed and provided to the auditor. The revised document listed the date, agency and number trained and summarizes that 86 trainings were held during this grant period related to this objective.

Objective 3

Requirement: To respond to 70 percent of TRACE notifications within 24 hours of notification by March 31, 2010, 80 percent by June 30, 2010, and 90 percent by September 30, 2011.

Results: The Final Report Executive Summary reported an 86 percent response rate for responding to TRACE incidents within 24 hours of notification.

Response: We concur. TRACE notifications received following weekends, holidays, and mandatory furloughs caused the response time statistic to be skewed. Due to the many unforeseen variables in the statistical calculation of this objective we have eliminated it from all future grants. TRACE notifications are given first priority for investigative resources. In addition, we have simplified the notification process through a new toll free number (866-HLP-TRACE) and decentralized investigative resources from a unit of 4 to a statewide program of 200 sworn agents.

Objective 7

Requirement: To distribute MADD's Underage Drinking Prevention Education and Awareness program statewide, through the MADD State Charter and Affiliated Offices. MADD's Underage Drinking Prevention Class Pack program includes teachers' curriculum and student handouts. The State Charter Office will implement 7 elementary school programs, 7 junior high programs, and 7 high school outreach programs for a total of 21 programs by September 30, 2010, and an additional 5 programs at each level for a total of 36 programs by September 20, 2011 in Sacramento, Yolo, Placer, and El Dorado counties.

Results: Per the Final Quarterly Report, MADD's Multi-Media School Outreach Programs were implemented instead of the Underage Drinking Prevention Education and Awareness program specified in the grant agreement. Furthermore, documentation provided to support the reported activities was inconsistent. For example, Claim 6 reported 3 State Charter Office programs were implemented. Documentation of these programs listed 21 individual activities such as, "The Zoo Pack," "Real DUI in School," and "E15 Assembly Speaker." However, event request forms for the same period identified only 8 events.

Response: The Underage Drinking prevention program "Multimedia School Outreach Program" specified in the grant, was a nationally based program that was discontinued in the first half of 2009, prior to the start of the grant under audit. OTS was notified of this change however, the narrative for the 2009-2011 grant was not amended accordingly to reflect this change.

Each MADD location in California was instructed to use the following format for the school underage drinking program to achieve a similar level of prevention effect:

- Provide a victim speaker to share their story of how they were personally affected by drunk driving. When a victim speaker was not available, use an appropriate video. These videos include material pulled from the broadband class pack DVDs, as well as the Graduation Day, Simple Plan, and Lives Affected DVDs.
- Provide a brief overview of facts and statistics concerning underage drinking.
- Lead group discussion dispelling myths about underage drinking.
- Provide a question and answer period.
- Distribute materials such as the Under 21 brochure, Traffic Safety Brochure, and DUI IQ booklet.

If time permitted, the fatal vision goggles were used to demonstrate levels of impairment. Most often this was done by setting up an obstacle course using safety cones. Another use of the fatal vision goggles was to make a line of safety cones and have students try to put a tennis ball on top of the cones, sometimes done as a relay race.

MADD also incorporated this content when asked to assist in facilitating the student retreats for the Every 15 Minutes Program, with more emphasis on student led discussions regarding underage drinking. MADD also provided victim speakers for the Real DUI in School program. Event request forms did not detail all activities, only events that MADD was officially requested to attend. Some events were attended without proper request forms.

Objective 8

Requirement: To implement MADD's UMADD2 College Campus Program in 1 university or college campus in Sacramento, Yolo, Placer, or El Dorado County for a total of 3 programs by September 30, 2010, and expand the number of UMADD programs to 2 in those selected counties for a total of 6 programs by September 30, 2011.

Results: Based on the Final Quarterly Report, UMADD was implemented in 6 universities or college campuses during the grant period. However, only 1 of the 6 UMADD programs was implemented within the counties specified in the grant objective.

Response: MADD was unsuccessful in developing a UMADD program in all of the counties specified in the grant. However, they were successful in establishing and developing UMADDs in other counties that were not specified. Target areas changed throughout the year as they recognized that some areas did not have the capacity to establish the UMADD.

Objective 11

Objective: To deploy MADD's California Crashed Car Exhibit Trailers, including wet lab and/or ignition interlock demonstrations, to 65 events across the state by September 30, 2010 and another 65 events by September 30, 2011.

Requirement: Documents provided did not support the number of events claimed in the quarterly reports. For example, for one claim the Quarterly Report indicated 52 events were held. However, towing invoices only supported 7 events. Additionally, MADD Event Request forms did not indicate whether the California Crashed Car Trailer was present at the event.

Response: During the grant specific dates, MADD's crashed car trailers were present at the required number of events but the documentation of their presence was not kept up to date. Some requests were not logged with official requests, and many tows were donated by towing companies that MADD partners with. Other examples are the use of crashed cars by law enforcement departments that tow the trailer themselves to several events with MADD's permission and do not charge for the tow. These events are suitable for the needs of the grant objectives but were not properly logged with individual request forms.

Recommendations:

For future grants, ABC should perform the following:

- A. Effectively plan and monitor the grant activities to ensure objectives are fully met. If an objective is changed, the grant should be amended to reflect the revised objective.
- B. Implement procedures to ensure adequate supporting documentation is retained to demonstrate the required objectives are met.
- C. Strengthen oversight and monitoring activities to ensure the subcontractor is meeting the grant objectives and adequate supporting documentation is maintained.

Response to Recommendations:

We concur. ABC has taken or will take the appropriate steps to ensure the proper monitoring of objectives, proper procedures, and oversight of future grants are in place and maintained.

EVALUATION OF RESPONSE

We reviewed ABC's response, dated August 5, 2013, to our draft audit report. ABC concurred with Observations 1 and 2. We appreciate ABC's willingness to implement the recommendations.

For Observation 2, ABC provided additional comments related to Objectives 2 and 7. Based on our review of ABC's comments, we provide the following evaluation:

Objective 2

ABC concurred that the legacy database server containing the statistical data was not functioning and indicated that the data set was reconstructed and provided to the auditor. Additionally, ABC indicated that the revised document listed the date, agency, and number trained and summarizes that 86 trainings were held during the grant period.

We received a document titled *Trace Trainings Summary* that included the training date, agency name, number of trainings conducted, and number of people trained. Our review of the *Trace Trainings Summary* indicates that 46 trace trainings were held that met the requirements of Objective 2.

The *Trace Trainings Summary* included 87 trainings. The number of trainings conducted column was blank for all trainings listed. For 28 trainings listed, the number of people trained was blank. For 13 trainings, the agency name did not appear to be a law enforcement agency that would represent unified school districts, community colleges, or universities as required by Objective 2.

Further, the *Trace Trainings Summary* was not consistent with the trainings reported to the Office of Traffic Safety (OTS). For example, as noted in the report, Claim 4 stated that 49 trainings were held from January 1, 2011 through March 31, 2011. The *Trace Trainings Summary* only indicated that 4 trainings occurred during this period. Of these trainings, 2 of the 4 agencies did not appear to be law enforcement agencies that would represent unified school districts, community colleges, or universities.

We revised the audit report to reflect the ABC legacy database reconstructed data instead of referring to the ABC legacy software system report for clarity. The remaining portion of Observation 2 related to Objective 2 will remain as originally stated.

Objective 7

ABC's response to Objective 7 indicated that the underage drinking prevention "Multimedia School Outreach Program" was discontinued and OTS was notified, but the grant narrative was not amended. ABC did not provide documentation of OTS' approval during the grant period of this change. Therefore, the Observation will remain as originally stated.