



Transmitted via e-mail

March 5, 2013

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—City of Lancaster DUI Enforcement and Awareness Program Grant Audit

The Department of Finance, Office of State Audits and Evaluations, has completed its audit of the following City of Lancaster (City) DUI Enforcement and Awareness Program grant:

Grant Agreement

AL0928

Period

October 1, 2008 through September 30, 2009

The enclosed report is for your information and use. The City's response to the report observation 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 the City. If you have any questions regarding this report, please contact Cheryl McCormick, Manager, or James Kong, Supervisor, at (916) 322-2985.

Sincerely,

Originally signed by:

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

Enclosure

cc: Ms. Karen Coyle, Regional Coordinator, Office of Traffic Safety
Ms. Deborah Hrepich, Associate Accounting Analyst, Office of Traffic Safety
Ms. Barbara Boswell, Director of Finance, City of Lancaster
Ms. Tammie Holladay, Accountant, City of Lancaster
Mr. Jonathan W. White, Deputy Sheriff, Los Angeles Sheriff's Department

AUDIT REPORT

City of Lancaster
DUI Enforcement and Awareness Program
Grant Agreement AL0928

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

MEMBERS OF THE TEAM

Cheryl L. McCormick, CPA
Manager

James Kong, CPA
Supervisor

Staff
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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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Office of State Audits and Evaluations
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(916) 322-2985

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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. The 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 local government agencies to implement these programs via grant awards.¹

The City of Lancaster (City) received a \$267,933 grant to reduce the number of persons killed and injured in alcohol involved crashes. The City, through a contract with the Los Angeles County Sheriff's Department (LASD), implemented a Driving Under the Influence (DUI) Enforcement and Awareness Program using "best practice" strategies conducted on an overtime basis. The funded strategies include DUI/Driver's License Checkpoints and DUI Saturation Patrols. The program also includes the development of a "Hot Sheet" program and "Stakeout" operations for officers to concentrate on repeat DUI offenders who have had their licenses suspended or revoked. Court "stings" operations will focus on DUI offenders with suspended or revoked driver licenses who get behind the wheel after leaving court. Through warrant service details, the police department will target violators who failed to appear in court or violate probation. These strategies are designed to earn media attention thus enhancing the overall deterrent effect.²

SCOPE

In accordance with an interagency agreement, the Department of Finance, Office of State Audits and Evaluations, audited grant AL0928 for the period October 1, 2008 through September 30, 2009.

The audit objectives were to determine whether the City's grant expenditures claimed were in compliance with applicable laws, regulations, and grant requirements; and to determine whether the grant goals and objectives were completed as required. In order to design adequate procedures to conduct our audit, we obtained an understanding of the relevant internal controls. We did not assess the efficiency or effectiveness of program operations.

The City'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 Excerpt from grant agreement AL0928.

METHODOLOGY

To determine whether grant expenditures were in compliance with applicable laws, regulations, and the grant requirements; and if the grant goals and 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, the grant agreement, and applicable policies and procedures.
- Reviewed the City and the LASD contract, contractor invoices, vendor invoices, and related supporting documentation.
- Selected a sample of expenditures to determine if costs were allowable, grant-related, incurred within the grant period, supported by accounting records, and properly recorded.
- Performed procedures to determine if other revenue sources were used to reimburse expenditures already reimbursed with grant funds.
- Conducted a site visit to verify grant expenditures and existence of equipment.
- Evaluated whether a sample of grant objectives required by the grant agreement were met.

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.

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 City was in compliance with the requirements of the grant agreement:

The Schedule of Claimed and Questioned Amounts is presented in Table 1.

Table 1: Schedule of Claimed and Questioned Amounts

Grant Agreement AL0928		
Category	Claimed ¹	Questioned
Contractual Services	\$222,901	\$215,133
Equipment	17,912	0
Total Expenditures	\$240,813	\$215,133

¹ Grantee claimed \$240,813 of the \$267,933 grant funds awarded.

Observation 1: Questioned Contractual Services Costs

Lack of proper fiscal monitoring of contractual services resulted in questioned costs of \$215,133. Specifically, the City did not ensure personal services expenditures were properly supported and in compliance with the terms of the grant agreement.

- Salaries and benefits for contractual services were billed at contracted rates instead of actual costs as stipulated in the grant agreement. The City contracted with the LASD to perform grant related DUI enforcement activities, which were billed using hourly rates set forth within that contract. While the hours claimed were adequately documented and supported, the City did not provide actual salary cost data and as such was unable to demonstrate whether the LASD contracted rates were equivalent to the actual salary costs billed to the grant. Grant agreement AL0928 states, "Overtime reimbursement will reflect actual costs of the personnel conducting the appropriate operations up to the maximum range specified." Questioned costs for contractual salaries are \$203,498.
- The City claimed ineligible contractual expenditures of \$11,635 for liability insurance billed by the LASD. This amount is based on six percent of contractual salaries charged for sworn officers in the field and does not include other support staff personnel. The six percent liability insurance charge is neither in the approved grant agreement nor in the approved subcontract budget. Additionally, there is no evidence of a written approved budget modification for this expenditure. Questioned cost is \$11,635.

Recommendations:

- A. Ensure expenditures claimed conform to the eligibility requirements of the grant agreement and are supported by source documentation.
- B. As needed, obtain written approval from OTS to modify or add expenditure items to the grant agreement budget.
- C. Refund the \$215,133 of questioned costs to OTS. OTS will make the final determination regarding disposition of the questioned costs.



R. Rex Parris Mayor
Ronald D. Smith Vice Mayor
Ken Mann Council Member
Marvin E. Crist Council Member
Sandra Johnson Council Member
Mark V. Bozigian City Manager

November 27, 2012

Mr. David Botelho, CPA
Chief, Office of State Audits and Evaluations
Department of Finance
915 L Street
Sacramento, CA 95814-3706

RE: Draft Report-City of Lancaster DUI Enforcement and Awareness Program Grant Audit

Dear Mr. Botelho:

This letter is in response to the Draft Audit Report for Grant AL0928.

Observation 1: Questioned Contractual Services Costs

- Salaries and benefits for contractual services were billed at contracted rates instead of actual costs.

The budget for the grant was approved for contractual services and equipment, and rates paid were per our contract with the LASD. These rates were substantiated to the auditor. The City of Lancaster was in compliance with the grant agreement as it was approved and authorized.

- The City claimed ineligible contractual expenditures for liability insurance.

Liability insurance is an integral part of the contract with the LASD and would have been built in to the costs. This should be considered an eligible cost.

Tests applied to grant expenses that the auditor performed were for personnel costs rather than contract services. It is our opinion that these tests were not consistent with the type of expenditures incurred, resulting in the findings.

Recommendations:

- A. Ensure expenditures claimed conform to the eligibility requirements of the grant agreement and are supported by source documentation.

Response: The City did conform to the eligibility requirements of the grants. We will ensure that we continue to conform to the requirements of future grants.

- B. As needed, obtain written approval from OTS to modify or add expenditure items to the grant agreement budget.

Response: The City will obtain prior approval prior to adding expenditures.

- C. Refund the \$215,133 of questioned costs to OTS. OTS will make the final determination regarding disposition of the questioned costs.

Response: Questioned costs are eligible as contracted services and not subject to refund.

If you have any further questions or need additional information, I can be reached at 661-723-6035 or via email at bboswell@cityoflancasterca.org

Sincerely,



Barbara Boswell
Finance Director
City of Lancaster

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EVALUATION OF RESPONSE

We reviewed the City's response, dated November 27, 2012, to our draft audit report. The City has not provided adequate facts with documentation to support the modification; therefore, the observation and recommendations will remain unchanged.

Observation 1: Questioned Contractual Services Costs

The City disagrees that the claimed contractual services costs of \$215,133 (\$203,498 of overtime salaries and benefits and \$11,635 of liability insurance costs) are ineligible. The City states the budget for the grant was approved for contractual services and the personnel services rates were based on the City's contract with the Los Angeles Sheriff's Department (Contractor). The City also contends that the liability insurance costs should be eligible because they would have been built into the costs.

We concur that work related to the grant agreement was performed by the Contractor as contractual services. However, Section 6.8 of the OTS Program Manual states the contractor and/or subcontractor are subject to all conditions and certifications of the grant agreement. Consequently, the contractual services are subject to the grant's subcontractor budget requirements, which specified that overtime reimbursement would reflect actual costs of the personnel. While liability insurance may be a cost incurred by the Contractor, these costs were not included in either the approved grant agreement or the approved subcontract budget. Therefore, the observation remains as originally stated in the audit report.