



Transmitted via e-mail

March 7, 2013

Ms. Kim Garcia, Assistant Director of Administration
Office of Traffic Safety
2208 Kausen Drive, Suite 300
Elk Grove, CA 95758-7115

Dear Ms. Garcia:

Final Report—City of Oakland Police Department, Traffic Safety Grant Audits

The Department of Finance, Office of State Audits and Evaluations, has completed its audits of the following City of Oakland Police Department's (City) Traffic Safety grants:

Grant Agreements

PT1025

PS1003

PS1107

Audit Period

October 1, 2009 through September 30, 2010

October 1, 2009 through September 30, 2010

October 1, 2010 through September 30, 2011

The enclosed report is for your information and use. The City's response to the draft report issued December 14, 2012 required further analysis. As a result, changes were made to the Results Section, Observation 1, Grant PS1107 to clarify that the questioned costs were for ineligible overhead. The City's responses to the report observations and our evaluation of the responses 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 Kimberly Tarvin, Manager, or Rick Cervantes, Supervisor, at (916) 322-2985.

Sincerely,

Originally signed by:

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

Enclosure

cc: On following page

cc: Ms. Donna Black, Regional Coordinator, Office of Traffic Safety
Ms. Lisa Dixon, Regional Coordinator, Office of Traffic Safety
Ms. Deborah Hrepich, Associate Accounting Analyst, Office of Traffic Safety
Mr. Howard Jordan, Chief, Oakland Police Department
Ms. Felicia Silva, Fiscal Manager, Fiscal Services Division, Oakland Police Department
Ms. Dyana Curreri-Ermatinger, Grants Coordinator, Fiscal Services Division, Oakland
Police Department
Captain Sharon Williams, Oakland Police Department
Ms. Stacey Perry, Police Services Technician, Oakland Police Department

AUDIT REPORT

City of Oakland Police Department Grant Agreements PT1025, PS1003, and PS1107

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

MEMBERS OF THE TEAM

Kimberly Tarvin, CPA
Manager

Rick Cervantes, CPA
Supervisor

Staff
Alice Yip

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

You can contact our office at:

Department of Finance
Office of State Audits and Evaluations
915 L Street, 6th Floor
Sacramento, CA 95814
(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 Oakland Police Department (City) received three grants as follows:

- *Selective Traffic Enforcement Program* (grant PT1025) to reduce persons killed and injured in crashes involving alcohol, speed, red light running, and other primary collision factors. The enforcement strategies include DUI/driver's license checkpoints, DUI saturation patrols, and motorcycle safety operation in areas with high motorcycle collisions.²
- *Bicycle, Pedestrian, and Child Passenger Safety Program* (grants PS1003 and PS1107) to implement bicycle, pedestrian, and child passenger safety programs. The City served as the host agency and collaborated with local governments and other community-based organizations to provide bicycle rodeos, bicycle helmet distributions and inspections, child safety seat check-ups, and crossing guards.²

SCOPE

In accordance with an interagency agreement, the Department of Finance, Office of State Audits and Evaluations, audited the following grant agreements:

<u>Grant Agreements</u>	<u>Audit Period</u>
PT1025	October 1, 2009 through September 30, 2010
PS1003	October 1, 2009 through September 30, 2010
PS1107	October 1, 2010 through September 30, 2011

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 objectives were completed as required. We did not assess the efficiency or effectiveness of program operations.

¹ Excerpts from www.OTS.ca.gov

² Excerpts from grants PT1025, PS1003, and PS1107

City 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.

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, the grant agreements, and applicable policies and procedures.
- Reviewed the City's accounting records, contracts, personnel documents, and contractor/vendor invoices.
- 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.
- Evaluated whether a sample of grant objectives required by the grant agreements 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 audits 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 were in compliance with the requirements of the grant agreements, and grant objectives were completed as required. The Schedules of Claimed and Questioned Amounts are presented in Table 1.

Table 1: Schedules of Claimed and Questioned Amounts

Grant Agreement PT1025		
Category	Claimed	Questioned
Personnel	\$329,278	\$ 0
Travel	3,445	0
Contractual Services	15,000	15,000
Direct Costs	9,308	0
Total Expenditures	\$357,031	\$15,000

Grant Agreement PS1003		
Category	Claimed	Questioned
Personnel	\$135,432	\$ 0
Travel	309	0
Contractual Services	231,911	171,518
Direct Costs	91,759	15,000
Total Expenditures	\$459,411	\$186,518

Grant Agreement PS1107		
Category	Claimed	Questioned
Personnel	\$169,323	\$11,285
Travel	807	0
Contractual Services	31,746	(3,199)
Direct Costs	42,376	0
Total Expenditures	\$244,252	\$ 8,086

Observation 1: \$209,604 Ineligible Personnel and Contractual Services Costs

As discussed below, the City claimed ineligible personnel and contractual services costs. OTS Grant Manual, section 6.12, states the applicant agency must 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. In addition, section 2.3 states that to be eligible for reimbursement, the cost must be authorized in the grant agreement budget and be adequately documented. The specific ineligible costs claimed are described below.

Grant PT1025

The subcontractor claimed and was paid \$15,000 by the City for ineligible phlebotomist services. The service dates billed by the subcontractor were not consistent with the dates worked by City employees for DUI check points.

Grant PS1003

The City claimed and was paid \$186,518 for ineligible subcontractor costs listed in Table 2.

Table 2: Schedule of Ineligible Costs for Grant PS1003

Reason Cost Is Ineligible for Reimbursement	Amount
The subcontractor was not paid by the City. (\$15,000 of the \$74,520 were claimed as direct costs.)	\$ 74,520
The City could not provide subcontractor invoices to support the Bicycle/Pedestrian Safety costs claimed.	65,500
The City could not provide documentation, such as vendor invoices or subcontractor payroll records, to support the CPS Educational/Outreach/Training costs claimed.	46,498
Total Ineligible Costs	\$186,518

Grant PS1107

The City claimed and was paid \$11,285 for overhead for crossing guards. Per the grant agreement, overhead costs were not an eligible expenditure. However, the City provided additional documentation that supported \$3,199 in subcontractor costs previously disallowed by OTS. Therefore, the ineligible costs were reduced to \$8,086 (\$11,285 – \$3,199).

Recommendations:

- A. Remit \$209,604 to OTS. OTS will make the final determination regarding disposition of the questioned costs.
- B. For future OTS grants, implement claim review procedures that ensure costs are adequately supported by accounting records and in compliance with the grant agreements.

Observation 2: Inadequate Contracting

The subcontractor agreements were missing key components to ensure the intended services were received and costs were billed at established rates. The following contracting issues were identified in Table 3.

Table 3: Key Contract Components Missing

Contract Element	Missing Contract Language
Expenditure Budgets	Subcontract agreements did not include expenditure budgets.
Source Documentation	Subcontract agreements with non-profits, community based organizations, and local governments did not require source documentation, such as vendor invoices and payroll documentation, to support the actual costs billed.
Scope of Work	The phlebotomist services subcontract did not include DUI blood draws required by OTS grant PT1025, or establish specific billing rates. This subcontract agreement was amended to include DUI blood draws on June 23, 2011, nine months after the grant period expired.

OTS Grant Manual, section 6.12, states the applicant agency is responsible for the management of all contracts issued using OTS funds. Section 6.10 requires the subcontracts to have detailed budgets, including narratives descriptive enough to limit misinterpretation of allowable cost items, and supporting documents to ensure that costs are allowable and work has been performed. Contracts without these items may result in ineligible costs claimed either due to unsupported costs, noncontract related work performed, or unreasonable billing rates.

Recommendation:

Ensure subcontract agreements include detailed expenditure budgets, narratives describing the allocable cost items, and require submittal of source documents with the invoices.

Observation 3: Unsupported Performance of Grant Activities for PS1003

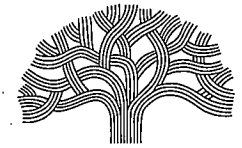
Grant Objective 3 required the City to provide over 250 children (between the ages of 10 to 18) with Earn Your Bike Safety Kits and program instructions by September 30, 2010. While the Quarterly Performance Report indicated that Grant Objective 3 was met, the city could not provide documentation validating that the required activities were performed.

The OTS grant agreement outlines the goals and objectives required to be accomplished by the end of the grant period. OTS Grant Manual, section 4.10, states the grantee must retain all source documents and records and make them available for federal and state audit for a period of three years following the date of the final reimbursement of grant expenditures. Failure to meet the objectives or adequately support the reported results may result in withholding or disallowance of grant reimbursements, the reduction or termination of grant funding, or denial of future grant funding.

Recommendation:

Ensure adequate supporting documentation is retained to demonstrate required goals and objectives were met.

CITY OF OAKLAND



POLICE ADMINISTRATION BUILDING • 455 - 7TH STREET • OAKLAND, CALIFORNIA 94607-3985

Police Department

Telephone Device for the Deaf (510) 238-7629

Patrol Desk (510) 238-3455

Fax (510) 238-2251

January 9, 2013

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

Dear Mr. Botelho:

The Oakland Police Department (OPD) is in receipt of the Department of Finance's audit report outlining observations and recommendations pertaining to the Oakland Police Department's Office of Traffic Safety grants: PT 1025, PS1003 and PS1107. The following is the Department's response to each observation. Please see responses below and attachments to close out the recommendations.

Observation # 1: Ineligible Personnel and Contractual Service Costs of \$209,604

Grant PT1025: The subcontractor claimed and was paid \$15,000 by the City for ineligible phlebotomist services. The dates billed by the subcontractor were not consistent with the dates worked by City employees.

OPD Response: The subcontractor billing dates corresponded with DUI saturation patrols or DUI checkpoint dates as well as patrol stops of drivers suspected of driving under the influence. Typically during vehicle stops, OPD conducts breathalyzer exams of drivers suspected of being under the influence. OPD's submitted grant proposal requested the additional tool of a phlebotomist and the budget narrative submitted with the approved budget for grant PT1025 states, "Professional services of "on-call" phlebotomist to conduct blood draws for driver's suspected of DUI." Therefore, OPD believes the phlebotomist costs to be eligible and respectfully requests reconsideration of this finding. Additional information cross-referencing the billing dates and stops performed by OPD patrol officers is available.

Grant PS1003: The City claimed and was paid \$186,518 for ineligible contractor costs due to \$74,520 in subcontractor costs not paid by the City, \$65,500 due to missing subcontractor invoices, and \$46,498 for missing supporting documentation for subcontractor invoices.

OPD Response: The Oakland Police Department respectfully requests additional time to respond to this observation for better understanding. Due to limited response time associated with the holidays, mandatory business shutdown days, and planned staff vacations, we request an opportunity to respond to this observation no later than January 25, 2013.

Grant PS1107: The City claimed and was paid \$11,285 for fringe benefit costs for crossing guards though per the grant agreement, fringe benefit costs were not an eligible expenditure.

OPD Response: Please see attached copy of grant agreement with approved budget for PS1107, which includes fringe benefits for crossing guards. To this end, OPD respectfully requests reconsideration of this finding.

Recommendations:

- 1. Remit \$209,604 to OTS.***

OPD Response: OPD will work with OTS as necessary to close out this recommendation.

- 2. Implement claim review procedures to ensure costs are adequately supported by accounting records and in compliance with grant agreements.***

OPD Response: OPD agrees with the Department of Finance's recommendation and notes that claim procedures have been updated since implementation of these grants. A copy of the updated DRAFT claim review procedure's is attached.

Observation # 2: 8565-03: Inadequate Contracting; subcontractor contracts did not include expenditure budgets, source documentation did not support actual costs billed; contract scope of work for phlebotomist added after grant agreement.

Recommendation:

Ensure subcontract agreements include detailed expenditure budgets, narratives describing allocable cost items, and require submittal of source documents.

OPD Response: OPD agrees with the Department of Finance's recommendation and notes that City and the Department contracting and payment procedures have been updated since implementation of these grants. In addition, OPD has conducted training to this end with OPD Command Staff and (grant) Project Managers as well as all OPD Fiscal staff. Further, at the beginning of each grant, all grant stakeholders are convened to review and gain understanding of both the programmatic and administrative aspects of implementing each grant.

Observation # 3: Unsupported Performance of Grant Activities for PS1003

Recommendation:

Ensure adequate supporting documentation is retained to demonstrate required goals and objectives were met.

OPD Response: OPD agrees with the Department of Finance's recommendation and notes that City and the Department contracting and payment procedures have been updated since implementation of these grants. In addition, at the beginning of each grant, all grant stakeholders are convened to review and gain understanding of both the programmatic and administrative aspects of implementing each grant.

OPD would like to thank the Department of Finance for the feedback and opportunity to improve its financial policies and procedures. The Department finds all recommendations valuable as OPD works very hard to administer its grant funds in a fiscally responsible and prudent manner. Again, with Department of Finance permission, the Oakland Police Department requests the opportunity to respond to "observation #2" by January 25, 2013. We appreciate your consideration of this request. Please do not hesitate to contact me with any questions or concerns.

Sincerely,



Felicia Silva
Fiscal Manager

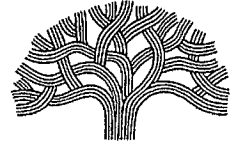
ORIGINAL

CC: Howard A. Jordan, Oakland Police Department Chief of Police
Gilbert Garcia, Oakland Police Department Deputy Director, Bureau of Services
Dyana Curreri-Ermatinger, Oakland Police Department Grants Coordinator
Sharon Williams, Oakland Police Department Captain
Stacey Perry; Oakland Police Department Police Services Technician

Attachments:

- Grant Agreement with Budget PT1025
- Grant Agreement with Budget PS1107
- Oakland PD Financial Management Policies and Procedures_DRAFT

CITY OF OAKLAND



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January 25, 2013

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Grant PT1025: The subcontractor claimed and was paid \$15,000 by the City for ineligible phlebotomist services. The dates billed by the subcontractor were not consistent with the dates worked by City employees.

OPD Response: The subcontractor billing dates corresponded with DUI saturation patrols or DUI checkpoint dates as well as patrol stops of drivers suspected of driving under the influence. Typically during vehicle stops, OPD conducts breathalyzer exams of drivers suspected of being under the influence. OPD's submitted grant proposal requested the additional tool of a phlebotomist and the budget narrative submitted with the approved budget for grant PT1025 states, "Professional services of "on-call" phlebotomist to conduct blood draws for driver's suspected of DUI." Therefore, OPD believes the phlebotomist costs to be eligible and respectfully requests reconsideration of this finding. Additional information cross-referencing the billing dates and stops performed by OPD patrol officers is available.

Grant PS1003: The City claimed and was paid \$186,518 for ineligible contractor costs due to \$74,520 in subcontractor costs not paid by the City, \$65,500 due to missing subcontractor invoices, and \$46,498 for missing supporting documentation for subcontractor invoices.

OPD Response: The Oakland Police Department successfully achieved the goals of this grant and provided all services and activities agreed upon with the grant agreement. Further, OPD

was able to provide various documents that supported both activities and expenditures throughout the course of the grant as well as upon request. That said, OPD acknowledges that all (i.e. records for both activities and expenditures) supporting documentation was not available for each contract as necessary and the Department agrees with the Department of Finance's recommendations pertaining to contract administration.

OPD would like to clarify that the City did pay the \$74,520 in subcontractor fees as the subcontractor was another City department and the General Purpose Fund covers upfront grant expenditures for all City departments. Though OPD encountered challenges making the internal funds transfer from OPD to Oakland Parks and Recreation, the General Purpose Fund was reimbursed for its outlay for this grant when OTS reimbursed the Department.

Grant PS1107: The City claimed and was paid \$11,285 for administrative overhead costs for crossing guards though per the grant agreement, administrative costs were not an eligible expenditure.

OPD Response: Initially, the finding was that OPD paid \$11,285 in ineligible fringe benefit costs, but the finding was later updated by the Department of Finance to note that fringe benefit costs were eligible, but administrative costs were the ineligible item OPD charged to the grant. Unfortunately, OPD did not have time to research this updated finding during the timeframe for response. OPD acknowledges and accepts all Department of Finance recommendations.

Recommendations:

1. **Remit \$209,604 to OTS.**

OPD Response: OPD will work with OTS as necessary to close out this recommendation.

2. **Implement claim review procedures to ensure costs are adequately supported by accounting records and in compliance with grant agreements.**

OPD Response: OPD agrees with the Department of Finance's recommendation and notes that claim procedures have been updated since implementation of these grants. A copy of the updated DRAFT claim review procedures is attached.

Observation # 2: 8565-03: Inadequate Contracting; subcontractor contracts did not include expenditure budgets, source documentation did not support actual costs billed; contract scope of work for phlebotomist added after grant agreement.

Recommendation:

Ensure subcontract agreements include detailed expenditure budgets, narratives describing allocable cost items, and require submittal of source documents.

OPD Response: OPD agrees with the Department of Finance's recommendation and notes that City and the Department contracting and payment procedures have been updated since

implementation of these grants. In addition, OPD has conducted training to this end with OPD Command Staff and (grant) Project Managers as well as all OPD Fiscal staff. Further, at the beginning of each grant, all grant stakeholders are convened to review and gain understanding of both the programmatic and administrative aspects of implementing each grant.

Observation # 3: Unsupported Performance of Grant Activities for PS1003

Recommendation:

Ensure adequate supporting documentation is retained to demonstrate required goals and objectives were met.

OPD Response: OPD agrees with the Department of Finance's recommendation and notes that City and the Department contracting and payment procedures have been updated since implementation of these grants. In addition, at the beginning of each grant, all grant stakeholders are convened to review and gain understanding of both the programmatic and administrative aspects of implementing each grant.

OPD would like to thank the Department of Finance for the feedback and opportunity to improve its financial policies and procedures. The Department finds all recommendations valuable as OPD works very hard to administer its grant funds in a fiscally responsible and prudent manner. Please do not hesitate to contact me with any questions or concerns.

Sincerely,



Felicia Silva
Fiscal Manager



ORIGINAL

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Gilbert Garcia, Oakland Police Department Deputy Director, Bureau of Services
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Attachments:

- Grant Agreement with Budget PT1025
- Grant Agreement with Budget PS1107
- Oakland PD Financial Management Policies and Procedures_DRAFT

EVALUATION OF RESPONSES

We reviewed the City of Oakland's (City) responses dated January 9, 2013 and January 25, 2013. The attachments referenced in the City's responses were omitted for brevity. We acknowledge receipt and review of these attachments. Comments are not provided for Observations 2 and 3 where the City agrees with the Observations. The following comments relate to Observation 1.

Observation 1: \$209,604 Ineligible Personnel and Contractual Services Costs

Grant PT1025

The City states in its response that the billing dates correspond with DUI saturation patrols or DUI checkpoint dates as well as patrol stops of drivers suspected of driving under the influence. We compared the phlebotomist service dates with the labor report provided by the City and determined the dates worked by City employees were not consistent with the phlebotomist service dates. In addition, as noted in Observation 2, the phlebotomist services subcontract did not include DUI blood draws required by OTS grant PT1025, or establish specific billing rates. Also, the subcontract agreement was amended to include DUI blood draws nine months after the grant period expired.

Grant PS1003

While the City states it provided various documents that supported both claimed activities and expenditures, the City also acknowledged that all (i.e. records for both activities and expenditures) supporting documentation was not available for each contract. The questioned costs represent claimed costs that lacked adequate supporting documentation including invoices, proof of payment, subcontractor payroll records, and vendor invoices.

Grant PS1107

After issuance of our draft report, we identified an error in the report. The draft report incorrectly stated that the fringe benefit costs were not eligible. The report observation has been revised to state that the City claimed and was paid \$11,285 for ineligible overhead costs. Per the grant agreement overhead costs were not an eligible expenditure. The ineligible overhead costs were determined as follows:

- The City claimed and was paid \$22,543 for fringe benefits for crossing guards.
- The claimed crossing guards' salary of \$98,320 was multiplied by the City's hourly fringe benefit rate of 11.45 percent for part-time employees to determine the eligible fringe costs (\$11,258 = \$98,320 X .1145).
- The City informed us that the \$11,285 variance (\$22,543 - \$11,258) was for City central services overhead.

In its response dated January 9, 2013, the City requested additional time to respond by January 25, 2013. The extension was granted. However, the City provided no additional documentation in its January 25, 2013 response to support the questioned costs for grants PT1025, PS1003, and PS1107.

Because the City has not provided adequate documentation to support report modification, except where noted the questioned costs and recommendations will remain unchanged. The Office of Traffic Safety will make the final determination regarding the disposition of these questioned costs.