



Transmitted via e-mail

October 29, 2010

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

Dear Ms. Meadows:

Final Report—City of Victorville, Office of Traffic Safety Grant Audit

The Department of Finance, Office of State Audits and Evaluations (Finance), has completed its audit of the City of Victorville's (City) Selective Traffic Enforcement Program grant AL0728 for the period October 1, 2006 through September 30, 2008.

The enclosed report is for your information and use. The City's response to the report findings and our evaluation of the response are incorporated into this final report.

In accordance with Finance's policy of increased transparency, 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 the City's staff. If you have any questions regarding this report, please contact Cheryl McCormick, Manager, or Osman Sanneh, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

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

Enclosure

cc: Ms. Adele Mosher, Assistant Director of Finance, City of Victorville
Ms. Michelle Perea, Accountant, City of Victorville
Captain Cliff Raynolds, Chief of Police, Victorville Police Department
Ms. Deborah Hrepich, Associate Accounting Analyst, Office of Traffic Safety

A GRANT AUDIT

City of Victorville
Grant Agreement AL0728

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

MEMBERS OF THE TEAM

Cheryl L. McCormick, CPA
Manager

M. Osman Sanneh, CPA
Supervisor

Staff
Kelly Wyatt

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
300 Capitol Mall, Suite 801
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.

The City of Victorville (City) received a grant from OTS to reduce the number of victims killed and injured in traffic collisions in participating communities, and to increase public awareness of traffic safety issues through promotional materials, media advisories, press releases, and high school programs. The City contracted with the San Bernardino County Sheriff's Department (County) to implement the grant project.

SCOPE

In accordance with an interagency agreement, the Department of Finance, Office of State Audits and Evaluations, conducted an audit of the City's OTS grant listed below.

<u>Grant Agreement</u>	<u>Audit Period</u>	<u>Awarded</u>
AL0728	October 1, 2006 through September 30, 2008	\$568,759

The audit objective was to determine whether the City's grant expenditures claimed 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.

The City's management is responsible for ensuring accurate financial reporting and compliance with applicable laws, regulations, and grant requirements as well as evaluating the efficiency and effectiveness of the program. OTS is responsible for the 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 the City's and County'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 the grant funds. The audit was conducted from October 2009 through March 2010. Additional audit procedures were performed during August 2010 and September 2010.

This audit was conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our observations and recommendations based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our observations and recommendations.

Except as noted below, the City's 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 below. Additionally, two observations were identified as reported below.

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

Grant Agreement AL0728			
For the Period October 1, 2006 through September 30, 2008			
Categories	Claimed	Audited	Questioned
Contractual Services	\$ 561,893	\$ 511,843	\$ 50,050
Other Direct Costs	6,833	6,833	0
Total Expenditures	\$ 568,726	\$ 518,676	\$ 50,050

OBSERVATION 1: Questioned Contractual Services Costs

We question \$50,050 of contractual services costs claimed by and reimbursed to the City. The questioned costs consist of unsupported County staff salaries and benefits as presented below:

Table 2: Schedule of Questioned Contractual Services Costs

Overtime Salaries and Benefits	
Claimed in excess of actual paid	\$ 48,085
Unsupported and double-billed	<u>1,965</u>
Total Questioned Costs	<u>\$ 50,050</u>

The City has a contractual agreement with the County of San Bernardino (County) for policing service and has reimbursed the County for the grant related services at the rates set forth within that agreement. Those rates are not supported by the County records, and the City has therefore reimbursed the County in excess of the costs actually incurred. Pursuant to the grant agreement, overtime reimbursement will reflect actual costs of the personnel conducting the appropriate operation.

Recommendation: Refund questioned costs of \$50,050 to OTS.

OBSERVATION 2: Inadequate Grant Monitoring and Control

The City did not adequately monitor contractor grant activity, expenditures, and reporting to ensure that the grant objectives were met, grant activities complied with the grant agreement, and grant expenditures were adequately supported.

Multiple inconsistencies between the Quarterly Performance Reports' (QPR) narrative, QPR Schedule C, and the records submitted by the County grant manager to the City were observed. For example:

- For the quarter ended September 2007, the County grant manager's support documentation for operations performed and the reported QPR Schedule C reflect two driving under the influence (DUI) checkpoints each, whereas the QPR narrative reports three checkpoints.
- For the quarter ended September 2008, the County's grant operations support document does not reflect DUI checkpoint operations, whereas the QPR narrative reflects two checkpoints; and none were reported on the QPR Schedule C.
- For the quarter ended September 2008, the QPR narrative reports five aggressive driving operations and one court sting. However, the supporting reimbursement documentation reflects six aggressive driving operations for the quarter.

Additionally, miscellaneous reporting errors attributable to a lack of report review and approval were identified. These include:

- Failure of the City and the County to provide a final QPR Schedule C to support overall compliance with grant objectives.
- Lack of a 2007-08 (or subsequent) reporting on seat-belt surveys and related results.
- Incorrect QPR reporting of department-wide DUI arrests and vehicles impounded for the quarter ended March 2008.

Further, as noted in Observation 1, \$50,050 of unsupported overtime salary and benefits were claimed.

Inadequate monitoring and review increases the risk of grant goals and objectives not being fully met and inaccurately reported; and inappropriate and unallowable costs claimed for reimbursement.

Recommendation: Develop and implement procedures to ensure grant activity, expenditures, and reporting are adequately monitored, sufficiently supported, and accurately reported.



October 14, 2010

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

Dear Mr. Botelho,

We received the Revised Draft Report - Office of Traffic Safety Grant Audit on October 5, 2010. The following is our response to the finding:

OBSERVATION 1: QUESTIONED CONTRACTUAL SERVICES COSTS

We contract our Police Department services to the County of San Bernardino Sheriff Department. As a contract city, we are bound by and must honor the contract/memorandum of understanding with the County of San Bernardino (see attached exhibit A). In accordance to the grant agreement between OTS and City of Victorville, overtime reimbursement does reflect "actual" costs of personnel conducting the operation per the City contract with County of San Bernardino. This is in compliance with OTS Grant Manual Chapter 4 – Fiscal Requirements, paragraph 4.4.3 Contractual Services and Chapter 6 – Procurement & Contract Administration, paragraph 6.8 (see attached exhibit B). Also, please note that the reimbursement claims submitted to OTS were based on an overtime hourly rate minus workers compensation that the City paid to the County (see attached exhibit C).

Initially the following documents were provided to the auditor:

- Contract/MOU between the City of Victorville and County of San Bernardino Sheriff Department
- Invoices from County of San Bernardino Sheriff Department to City of Victorville
- Payments to County of San Bernardino Sheriff Department from City of Victorville
- Reimbursement claims submitted to OTS
- Employee Overtime Worksheets – (copies of all officers overtime worksheets involved in the operation)

However, the auditor was not satisfied with the information provided, so we contacted the County of San Bernardino Sheriff Department for the following additional information:

- Copies of all employee payroll registers from October 1, 2006 – September 30, 2006.

We believe that we have provided all supporting documentation to the auditor to show that all claimed costs are allowable.

In the revised draft report Observation 1 states, "Those rates are not supported by the County records and the City has therefore reimbursed the County in excess of the costs actually incurred."

As stated earlier, the rates were supported by the contract between the City of Victorville and the County of San Bernardino Sheriff Department. These are the rates the City of Victorville pays for police services within our city limits. If the City of Victorville is not going to be fully reimbursed for the costs incurred, future OTS grants will have to be more closely evaluated to determine whether fiscal resources are available for the shortfall between what it paid to the County of San Bernardino and what is reimbursed from the Office of Traffic Safety. Additional fiscal resources for this shortfall will be extremely hard to secure with the economic conditions facing the City of Victorville.

OBSERVATION 2: INADEQUATE GRANT MONITORING AND CONTROL

The City is currently working more closely with the Police Department to ensure proper monitoring. The City has also requested the Police Department assign a permanent staff member who will be able to manage, administer, and accurately report all Police Department grants.

If you have any questions regarding this response, please feel free to contact Pat Rosenberg, Manager at (760) 955-5057, or Michelle Perea, Accountant at (760) 243-6373.

Sincerely,

Original signed by:

Adele Mosher
Assistant Director of Finance
City of Victorville

EVALUATION OF RESPONSE

We reviewed the City of Victorville's (City) October 14, 2010 response which is incorporated into the final report. In the interest of brevity, the attachments have been omitted.

In this evaluation of the City's response, we do not provide additional comments on findings where the City agrees, or proposes adequate corrective action. However, for the finding in which the City did not agree, did not propose adequate action, or where we deem additional comments necessary, we provide the following evaluation:

Observation 1: Questioned Contractual Services Costs

The City states they are bound by the Memorandum of Understanding between the City and the County for policing services, and the hourly rates for overtime charged per the agreement are the actual costs of personnel conducting the operation.

We continue to reference criteria within the contract, wherein it is stated "overtime reimbursement will reflect actual costs of the personnel conducting the appropriate operation". The operation was conducted solely by the County, with the City acting as pass-through entity, and only the costs *incurred* by the County are therefore allowable for reimbursement. The finding stands as reported.