



Transmitted via e-mail

August 4, 2015

Mr. Robert Nelson, Assistant Director of Administration  
Office of Traffic Safety  
2208 Kausen Drive, Suite 300  
Elk Grove, CA 95758

Dear Mr. Nelson:

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

The Department of Finance, Office of State Audits and Evaluations, has completed its audits of the Department of Alcoholic Beverage Control's (ABC) grants AL1111 and 20670, issued by the California Office of Traffic Safety.

The enclosed report is for your information and use. ABC's response to the report observations is incorporated into this final report. ABC agreed with our observations and we appreciate its willingness to implement corrective actions. 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 Susan Botkin, Manager, or Fabiola Torres, Supervisor, at (916) 322-2985.

Sincerely,

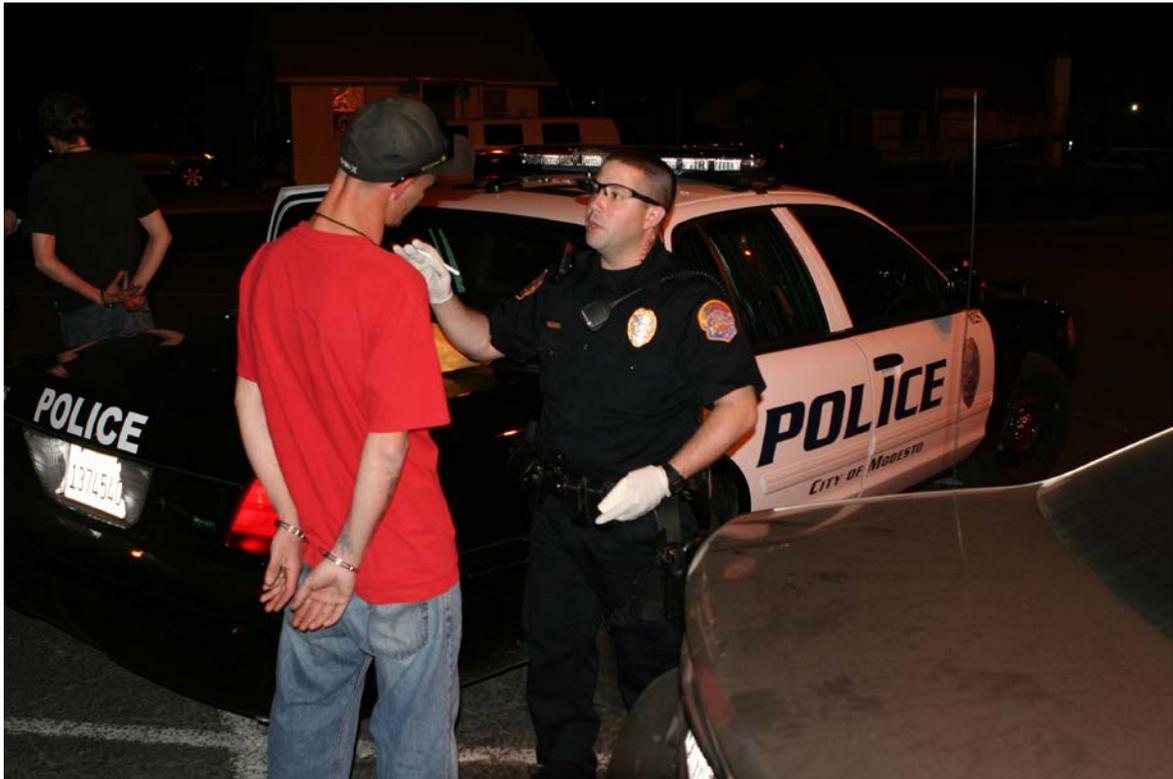
Original signed by:

Richard R. Sierra, CPA  
Chief, Office of State Audits and Evaluations

Enclosure

cc: Mr. David Doucette, Assistant Director of Operations, Office of Traffic Safety  
Mr. Mark Talan, Operations Coordinator, Office of Traffic Safety  
Ms. Trina Nguyen, Associate Accounting Analyst, Office of Traffic Safety  
Mr. Timothy Gorsuch, Director, California Department of Alcoholic Beverage Control  
Mr. Ed Jimenez, Assistant Director, Administration, California Department of Alcoholic Beverage Control  
Mr. Joseph McCullough, Deputy Division Chief, California Department of Alcoholic Beverage Control  
Mr. Chris Brookman, Supervising Agent, Grants Unit, California Department of Alcoholic Beverage Control

Department of Alcoholic Beverage Control  
Minor Decoy/Shoulder Tap IV and  
CREEDD 3  
Grant Agreements AL1111 and 20670



Source: Department of Alcoholic Beverage Control

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

## **MEMBERS OF THE TEAM**

Susan Botkin, CGFM  
Manager

Fabiola Torres  
Supervisor

Staff  
Bryan Nguyen  
Amanda Voie

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, 6<sup>th</sup> Floor  
Sacramento, CA 95814  
(916) 322-2985

# 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.<sup>1</sup>

The Department of Alcoholic Beverage Control (ABC) received a \$500,000 grant from OTS to conduct Minor Decoy and Shoulder Tap operations, with the goal of reducing youth access to alcohol. Additionally, ABC received a \$671,340 grant from OTS to continue funding the Combined Responsibility in Educating and Eliminating Drunk Driving (CREEDD) operation. For this grant, ABC partnered with Mothers Against Drunk Driving (MADD) to educate and bring driving under the influence awareness to California communities.<sup>2</sup>

## SCOPE

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

| <u>Grant Agreement</u> | <u>Audit Period</u>                        |
|------------------------|--|
| AL1111                 | October 1, 2010 through September 30, 2011 |
| 20670                  | October 1, 2011 through September 30, 2012 |

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 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.

---

<sup>1</sup> Excerpts from [www.OTS.ca.gov](http://www.OTS.ca.gov).

<sup>2</sup> Excerpts from grant agreements AL1111 and 20670.

## METHODOLOGY

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

- Examined the grant files, the grant agreements, and applicable policies and procedures.
- Reviewed ABC's accounting and personnel records (timesheets, overtime cards, personnel activity reports).
- Reviewed subcontractor vendor invoices and supporting documents, accounting reports, and timesheets.
- 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 agreements.
- Determined whether the grant objectives were completed in accordance with the grant agreements.
- Evaluated whether a sample of grant objectives were met by reviewing referral/proof of completion forms, tracking spreadsheets, Final Reports and Executive Summaries, and event programs.

In conducting our audits, we obtained an understanding of ABC's internal controls, including any information systems controls that we considered significant within the context of our audit objectives. We assessed whether those controls were properly designed and implemented. Any deficiencies in internal control that were identified during the conduct of our audit and determined to be significant within the context of our audit objectives are included in this report.

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

Finance and ABC are both 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. Under generally accepted government performance auditing standards, performance of these activities creates an organizational impairment with respect to independence. However, Finance has developed and implemented sufficient safeguards to mitigate the organizational impairment so reliance can be placed on the work performed.

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 complied with the grant requirements. However, one grant objective was not fully completed as specified in grant AL1111, and the Department of Alcoholic Beverage Control (ABC) did not provide supporting documentation to demonstrate three grant objectives were met as required by grant 20670. The Schedules of Claimed and Questioned Amounts are presented in Table 1 below.

**Table 1: Schedules of Claimed and Questioned Amounts**

| Grant Agreement AL1111    |                      |                  |
|---------------------------|----------------------|------------------|
| Category                  | Claimed <sup>1</sup> | Questioned       |
| Personnel Costs           | \$ 276,039           | \$ 29,155        |
| Travel Expenses           | 503                  | -                |
| Contractual Services      | 125,128              | -                |
| Other Direct Costs        | 17,062               | -                |
| <b>Total Expenditures</b> | <b>\$ 418,732</b>    | <b>\$ 29,155</b> |

| Grant Agreement 20670     |                      |                 |
|---------------------------|----------------------|-----------------|
| Category                  | Claimed <sup>2</sup> | Questioned      |
| Personnel Costs           | \$ 21,699            | -               |
| Contractual Services      | 639,132              | \$ 1,798        |
| <b>Total Expenditures</b> | <b>\$ 660,831</b>    | <b>\$ 1,798</b> |

**Observation 1: Unsupported or Ineligible Expenditures**

ABC was reimbursed \$30,953 for unsupported or ineligible expenditures. Specifically, ABC was reimbursed \$29,155 for unsupported personnel expenditures related to grant AL1111. Personnel activity reports were not completed for personnel expenditures charged to the grant pertaining to the District Administrator. The Office of Traffic Safety (OTS) Grant Manual, Section 4.4.1, states personnel costs must be supported by personnel activity reports for all professional and nonprofessional staff billed.

Further, ABC claimed and was reimbursed \$1,798 for ineligible expenditures related to grant 20670. The ineligible expenditures were for food and audio/visual equipment for a meeting held

<sup>1</sup> OTS awarded \$500,000 and ABC claimed \$418,732 for grant AL1111.

<sup>2</sup> OTS awarded \$671,340 and ABC claimed \$660,831 for grant 20670.

on June 3, 2012 that was not related to the Law Enforcement Recognition event held on June 2, 2012. The OTS Grant Manual, section 2.3, states for costs to be eligible for reimbursement the costs must be authorized in the budget of the grant agreement. The grant agreement states the eligible costs are “for expenses announcing and informing law enforcement and community leaders on State and local recognition events, for printing of programs, notifications, venue rental, photography, purchasing plaques, 23,152 pins and meals.”

**Recommendations:**

- A. Remit \$30,953 to OTS for the unsupported or ineligible expenditures. OTS will make the final determination regarding disposition of the questioned costs.
- B. Strengthen oversight and monitoring activities to ensure only supported and eligible grant costs are submitted for reimbursement.

**Observation 2: Grant Objectives Either Partially Met or Not Supported**

ABC did not fully meet one grant objective (Objective 6, grant AL1111), as described in Table 2. Further, ABC could not provide documentation that demonstrated three objectives were met (Objectives 13, 14, and 15, grant 20670), as described in Table 3. The grant agreements outline 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.

**Table 2: Schedule of Objective Partially Met**

| <b>Grant Agreement AL1111</b> |   |   |
|-------------------------------|---|---|
| <b>Objective</b>              | <b>Grant Requirement</b>  | <b>Results</b>  |
| 6                             | To conduct a minimum of 275 Shoulder Tap operations throughout the state by September 30, 2011. | ABC completed 242 of the 275 required Shoulder Tap operations. While ABC reported in the Final Quarterly Progress Report that it completed 245 Shoulder Tap operations, there were supporting documents for only 242. |

**Table 3: Schedule of Objectives Not Supported**

| <b>Grant Agreement 20670</b> |  |   |
|------------------------------|--|---|
| <b>Objective</b>             | <b>Grant Requirement</b>   | <b>Results</b>  |
| 13                           | To distribute MADD's <sup>3</sup> Underage Drinking Prevention education and awareness program statewide, through the MADD State Charter and Affiliate Offices to 21 programs including seven (7) elementary school programs, (7) Jr. High programs and (7) High School programs impacting 50,000 students statewide, by September 30, 2012. | ABC was unable to provide documentation to demonstrate that Objective 13 was met. |
| 14                           | To implement MADD's UMADD <sup>4</sup> College Campus Program on university or college campus in Sacramento, Butte, Los Angeles or San Diego, impacting 2,500 university/college students by September 30, 2012.   | ABC was unable to provide documentation to demonstrate that Objective 14 was met. |
| 15                           | To raise public awareness by staffing the MADD Display Booth at 50 local Health and Safety Fairs and other events, impacting 2,000 community members, by September 30, 2012.   | ABC was unable to provide documentation to demonstrate that Objective 15 was met. |

**Recommendations:**

- A. Effectively plan and monitor the grant activities to ensure objectives are fully met.
- B. Implement procedures to ensure adequate supporting documentation is retained to demonstrate the required objectives were met, including stronger oversight and monitoring of subcontractors.

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

<sup>3</sup> Mothers Against Drunk Driving

<sup>4</sup> University Mothers Against Drunk Driving



# Memorandum

**To:** Richard R. Sierra, Chief  
Office of State Audits and Evaluations  
915 L Street  
Sacramento, CA 95814-3706

**Date:** July 14, 2015

**From:** Ed Jimenez, Assistant Director, Administration  
Department of Alcoholic Beverage Control  
3927 Lennane Drive, Suite 100  
Sacramento, CA 95835

**Subject:** **Traffic Safety Grant Audit AL1111 & 20670 – Department of Alcoholic Beverage Control**

This will serve as the Department of Alcoholic Beverage Control's (ABC) response to the observations made by the Office of State Audits and Evaluation in their audit of Traffic Safety Grant AL1111 which ran from October 1, 2010 through September 30, 2011, and Grant 20670 which ran from October 1, 2011 through September 30, 2012.

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: Unsupported or Ineligible Expenditures**

ABC was reimbursed \$30,953 for unsupported or ineligible expenditures. Specifically, ABC was reimbursed \$29,155 for unsupported personnel expenditures related to grant AL1111. Personnel activity reports were not completed for personnel expenditures charged to the grant pertaining to the District Administrator. The OTS Grant Manual, Section 4.4.1, states personnel costs must be supported by personnel activity reports for all professional and nonprofessional staff billed.

Further, ABC claimed and was reimbursed \$1,798 for ineligible expenditures related to grant 20670. The ineligible expenditures were for food and audio/visual equipment for a meeting held on June 3, 2012 that was not related to the Law Enforcement Recognition event held on June 2, 2012. The OTS Grant Manual, section 2.3, states for costs to be eligible for reimbursement the costs must be authorized in the budget of the grant agreement. The grant

agreement states the eligible costs are "for expenses announcing and informing law enforcement and community leaders on State and local recognition events, for printing of programs, notifications, venue rental, photography, purchasing plaques, 23,152 pins, and meals."

**Recommendations:**

- A. Remit \$30,953 to OTS for the unsupported or ineligible expenditures. OTS will make the final determination regarding disposition of the questioned costs.
- B. Strengthen oversight and monitoring activities to ensure only supported and eligible grant costs are submitted for reimbursement.

**Response to Recommendations:**

Regarding Grant AL1111, ABC has been using the required Personnel Activity Report (PAR) to document time spent working on the grants since 2012. The March 2009-2011 OTS Grant Program Manual did have a "general brief" paragraph regarding Personnel Activity Report (PAR) documentation requirements under Section: Fiscal Requirements-4.4.1 Personnel Costs – it was vague and not enforced by OTS. In addition, PAR requirements were not included in the OTS-76 Grant Performance Review (GPR) checklist nor were they enforced during grant performance reviews that year.

In July 2012, OTS realized that the Section 4.4.1 – was in need of an overhaul and re-wrote the guidelines and requirements in Section 4.4.1 to include PAR details and guidelines. The OTS-76 GPR was also revised to include a new section on the PAR grant compliance and developed an additional form OTS-76b Personnel Costs/Timekeeping for tracking and follow up purposes. If requested by OTS, ABC will remit the \$29,155 in salary for these unsupported personnel expenditures.

Regarding Grant 20670, the costs incurred for meals and AV rental in the amount of \$1,798 on June 3, 2012, were communicated by MADD to the OTS coordinator as the event was being planned. It was understood by MADD that OTS approved these costs for conducting staff training and could be included with the LER expenses as they were held at the same facility.

However, upon review of Grant 20670 grant files to support the \$1,798 expense for the food and audio/visual equipment for the meeting held on June 3, 2012 was not present in any of the ABC or OTS files. Regarding any future events, ABC will ensure that any modifications to the grant agreement made by MADD directly to OTS are documented appropriately. If requested by OTS, ABC will remit the \$1,798 for ineligible expenditures.

**Observation 2: Grant Objectives Either Partially Met or Not Supported**

ABC did not fully meet one grant objective (Objective 6, grant AL1111), as described in Table 2. Further, ABC could not provide documentation that demonstrated three objectives were met (Objectives 13, 14, and 15, grant 20670), as described in Table 3. The grant agreements outline 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.

**Table 2: Schedule of Objective Partially Met**

| <b>Grant Agreement AL1111</b> |   |  |
|-------------------------------|---|--|
| <b>Objective</b>              | <b>Grant Requirement</b>  | <b>Results</b>   |
| 6                             | To conduct a minimum of 275 Shoulder Tap operations throughout the state by September 30, 2011. | ABC completed 242 of the 275 required Shoulder Tap operations. While ABC reported in the in the Final Quarterly Progress Report that it completed 245 Shoulder Tap operations, there were supporting documents for only 242. |

**Table 3: Schedule of Objectives Not Supported**

| <b>Grant Agreement 20670</b> |  |   |
|------------------------------|--|---|
| <b>Objective</b>             | <b>Grant Requirement</b>   | <b>Results</b>  |
| 13                           | To distribute MADD's <sup>3</sup> Underage Drinking Prevention education and awareness program statewide, through the MADD State Charter and Affiliate Offices to 21 programs including seven elementary school programs, seven Jr. High programs and seven High School programs impacting 50,000 students statewide, by September 30, 2012. | ABC was unable to provide documentation to demonstrate that Objective 13 was met. |
| 14                           | To implement MADD's UMADD <sup>4</sup> College Campus Program on university or college campus in Sacramento, Butte, Los Angeles or San Diego, impacting 2,500 university/college students by September 30, 2012.   | ABC was unable to provide documentation to demonstrate that Objective 14 was met. |

|    |  |   |
|----|--|---|
| 15 | To raise public awareness by staffing the MADD Display Booth at 50 local Health and Safety Fairs and other events, impacting 2,000 community members, by September 30, 2012. | ABC was unable to provide documentation to demonstrate that Objective 15 was met. |
|----|--|---|

**Recommendations:**

- A. Effectively plan and monitor the grant activities to ensure objectives are fully met. Implement procedures to ensure adequate supporting documentation is retained to demonstrate the required objectives were met, including stronger oversight and monitoring of subcontractors.
- B. Implement procedures to ensure adequate supporting documentation is retained to demonstrate the required objectives were met, including stronger oversight and monitoring of subcontractors.

The Office of Traffic Safety (OTS) will determine the actions, if any, take regarding the unmet objectives.

**Response to Recommendations:**

Regarding Grant AL1111, during the majority of this grant period ABC Agents were working under a mandated three day a month furlough program that was unforeseen when the grant objectives were drafted and approved. This furlough program severely affected our Agents availability during this grant period. While ABC Agents were limited on their availability to work, ABC still accomplished 88% of the operations, while returning over 20% of the budgeted overtime. It should be noted, that OTS was aware of ABC's status on this objective through the Quarterly Reports, the Grant Performance Review, and the Executive Summary.

Regarding Grant 20670, during this grant cycle, each MADD office or volunteer community action site reported to the MADD CA state office regarding the activities completed as they related to the grant objectives. However, no supporting documentation was maintained by MADD. Since the 20670 grant cycle, processes have been put in place to ensure that sufficient supporting documentation for all activities supporting the grant goals and objectives are maintained and are sent to ABC with MADD's quarterly performance reports.

**Original Signed by  
Ed Jimenez  
Assistant Director, Administration**