



Transmitted via e-mail

August 24, 2011

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—University of California, Berkeley, Office of Traffic Safety Grant Audit

The Department of Finance, Office of State Audits and Evaluations, has completed its audit of the University of California, Berkeley's (UC Berkeley), Click-It or Ticket grant agreement OP0903 for the period October 1, 2008 through September 30, 2009.

The enclosed report is for your information and use. UC Berkeley's response to the report observation is incorporated into this final report. UC Berkeley agreed with our observation and we appreciate its willingness to implement corrective actions. The observation in our report is intended to assist UC Berkeley in improving its internal controls and grant compliance.

This 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 UC Berkeley staff. If you have any questions regarding this report, please contact Frances Parmelee, Manager, or Evelyn Suess, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by Richard Sierra for:

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

Enclosure

cc: On following page

cc: Mr. Tony Sordello, Regional Coordinator, Office of Traffic Safety
Ms. Deborah Hrepich, Associate Accounting Analyst, Office of Traffic Safety
Ms. Lori Cripps, Director, Extramural Funds Accounting, University of California, Berkeley
Mr. David Ragland, Director and Principal Investigator, Safe Transportation Research and Education Center, University of California, Berkeley
Ms. Jill Cooper, Associate Director, Safe Transportation Research and Education Center, University of California, Berkeley
Ms. Sylvia Barnes, Finance and Operations Manager, Safe Transportation Research and Education Center, University of California, Berkeley
Ms. Irene Kan, Mini-Grant Program Lead and Assistant Director, Safe Transportation Research and Education Center, University of California, Berkeley
Ms. Jyl Baldwin, Assistant Director, Sponsored Projects Office, University of California, Berkeley
Ms. Homa Khamsi, Director of Business and Administrative Services, School of Public Health, University of California, Berkeley
Ms. Heidi Grant, Budget Analyst, School of Public Health, University of California, Berkeley
Mr. Todd Vizenor, Compliance Manager, Extramural Funds Accounting, University of California, Berkeley
Mr. Mark Roderick, Accountant II, Extramural Funds Accounting, University of California, Berkeley

AUDIT REPORT

University of California, Berkeley Click-It or Ticket Mini-Grant Program Grant Agreement OP0903



Source: www.ots.ca.gov

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

MEMBERS OF THE TEAM

Frances Parmelee, CPA
Manager

Evelyn Suess
Supervisor

Staff
Jason Craft
Ngocnhung Tran

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.¹

The University of California, Berkeley (UC Berkeley), received a grant from OTS to administer and coordinate the Click-It or Ticket Mini Grant program. The grant's objectives also include assisting OTS in developing a database approach for awarding mini grants, and providing ongoing technical assistance and pre-operational training to grantees about the grant requirements.² The program's goal was to increase statewide seat belt use to 96 percent by September 30, 2009.

<u>Grant Agreement</u>	<u>Grant Period</u>	<u>Awarded</u>
OP0903	October 1, 2008 through September 30, 2009	\$ 3,341,473

SCOPE

In accordance with an interagency agreement, the Department of Finance, Office of State Audits and Evaluations, conducted a performance audit of the grant.

The audit objective was to determine whether UC Berkeley's grant expenditures were in compliance with applicable laws, regulations, and grant requirements, and to determine whether grant goals and objectives were completed as required. 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.

UC Berkeley'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.gov

² Source: Grant Agreement OP0903

METHODOLOGY

To determine whether grant expenditures were in compliance with applicable laws, regulations, and the grant requirements, and if 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 UC Berkeley's accounting records, vendor invoices, and contracts.
- 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 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 grant funds. The audit was conducted from February 2011 through June 2011.

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 the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Except as noted below, UC Berkeley's expenditures were in compliance with applicable laws, regulations, and the grant requirements, and the objectives required by the grant agreement were completed. Based on the Final Quarterly Performance Report submitted to the Office of Traffic Safety (OTS), statewide seatbelt use reported an increase to 94.5 percent at September 30, 2009. The Schedule of Claimed and Questioned amounts is presented in Table 1.

Table 1: Schedule of Claimed and Questioned Amounts

Grant Agreement OP0903		
For the Period October 1, 2008 through September 30, 2009		
Category	Claimed	Questioned
Personnel Costs	\$ 184,102	\$ 0
Travel Expenses	3,366	0
Contractual Services	2,845,495	0
Other Direct Costs	20,237	0
Indirect Costs	27,364	0
Total Expenditures	\$ 3,080,564	\$ 0

Observation 1: Inadequate Accounting Controls

We noted the following internal control deficiencies requiring management's attention:

- UC Berkeley did not maintain a clear audit trail reconciling the amounts submitted to OTS. Specifically, UC Berkeley's general ledger did not agree with reimbursed claims. UC Berkeley had to prepare alternate spreadsheets or bridging documents to explain amounts submitted to OTS.
- UC Berkeley has not implemented its internal procedures for recording grant expenditures. UC Berkeley establishes a specific general ledger for each grant to reflect activities during a grant's term. For grant OP0903, UC Berkeley continued to charge expenditures to the grant fund after the grant period instead of redirecting expenditures to other funding sources. As a result, UC Berkeley inadvertently claimed \$23,011 in ineligible expenditures incurred after the grant period. UC Berkeley discovered the error and refunded the amount to OTS.

Without proper monitoring and review of expenditures, there is an increased risk of grant funds being misused and grant objectives not being fully met. OTS Manual, sections 4.1, 4.5, and 5.1, state: (1) it is the applicant agency's responsibility to ensure grant costs are supported by detailed source documents that reliably account for funds expended, (2) claims should be

prepared using the agency's accounting records and based only on recorded costs for the period covered, and (3) be sure claims are correctly computed and reconciled. In addition, UC Berkeley's Extramural Funds Accounting grant procedures state all activities must be concluded prior to the award closing and never beyond the last day of the performance period of the award.

Recommendation:

For ongoing and future grants, UC Berkeley should develop and implement procedures to ensure grant-related accounting transactions are accurate and properly supported.



ASSOCIATE VICE CHANCELLOR-FINANCE
AND CONTROLLER
2195 HEARST AVENUE, SUITE 130

BERKELEY, CALIFORNIA 94720-1108

August 2, 2011

Mr. David Botelho
Chief, Office of State Audits and Evaluations
Department of Finance
300 Capitol Mall, Suite 801
Sacramento, CA 95814

Dear Mr. Botelho:

Thank you for the providing an opportunity for us to review and comment on the draft report from the Department of Finance, Office of State Audits and Evaluations, audit of the Click-It or Ticket Mini-Grant Program, Grant Agreement OP0903, at the University of California, Berkeley (UC Berkeley). On behalf of the UC Berkeley, I would like to thank you for the time invested in this audit, as well as the professionalism and cooperative attitude of Evelyn Sness, Jason Craft, and Ngocnhung Tran. Below are our comments for your consideration and inclusion in the final report.

Observation 1 – Inadequate Accounting Controls

Recommendation No. 1: For ongoing and future grants, UC Berkeley should develop and implement procedures to ensure grant-related accounting transactions are accurate and properly supported.

UC Berkeley Response:

UC Berkeley has procedures in place to ensure that grant-related accounting transactions are accurate and properly supported. These procedures include maintaining a clear audit trail for reconciling the amounts reported to sponsoring agencies and accurately recording expenses to the appropriate sponsored award. Our accounting system assigns a unique fund number to each sponsored award and all expenses corresponding to that award are recorded to that particular fund number. The unique fund numbers are assigned when UC Berkeley receives a fully executed agreement from the sponsoring agency. The day-to-day administration of grant expenditures is handled at the department level. The Click-It or Ticket Mini-Grant Program is administered by the Safe Transportation Research & Education Center (SafeTREC) within the School of Public Health.

UC Berkeley has received annual grants from the Office of Traffic Safety (OTS) to administer the Click-It or Ticket Mini-Grant Program. Grant agreement OP0903 was for the period of October 1, 2008 through September 30, 2009. However, the fully executed agreement for the following year had not been received by UC Berkeley by the performance period start date, so a new fund number for the grant had not been established. As such, SafeTREC inadvertently recorded expenses to grant agreement OP0903

for the following year's award. SafeTREC has since taken actions to ensure that all expenses are accurately charged to the appropriate grant. These actions include the placement of a senior level Operations and Finance Manager (OFM) within the unit. The OFM is responsible for the oversight of OTS grants; ensuring claims are supported by the general ledger, and expenditures are appropriate, accurate and supported. Additional staff has been assigned to assist the OFM to monitor and review OTS grant expenditures.

These actions should ensure that there is a clear audit trail for reconciling program expenditures and expenses are accurately recorded to the appropriate grant.

If you have any questions related to the response, please contact Extramural Funds Accounting Compliance Officer Todd Vizenor at 510-643-6277 or t_vizenor@berkeley.edu.

Sincerely,

Original signed by:

Lori Cripps
Director
Extramural Funds Accounting