



Transmitted via e-mail

March 24, 2014

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

Dear Ms. Meadows:

Final Report—University of California, Berkeley, Traffic Safety Grant Audits

The Department of Finance, Office of State Audits and Evaluations, has completed its audits of the following University of California, Berkeley (UC Berkeley), Traffic Safety Grants:

Grant Agreements

AL0972
AL1046
OP1003

Audit Period

October 1, 2008 through September 30, 2010
October 1, 2009 through September 30, 2010
October 1, 2009 through September 30, 2010

The enclosed report is for your information and use. UC Berkeley's response to the report observations 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 UC Berkeley. If you have any questions regarding this report, please contact Kimberly Tarvin, Manager, or Alma Ramirez, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

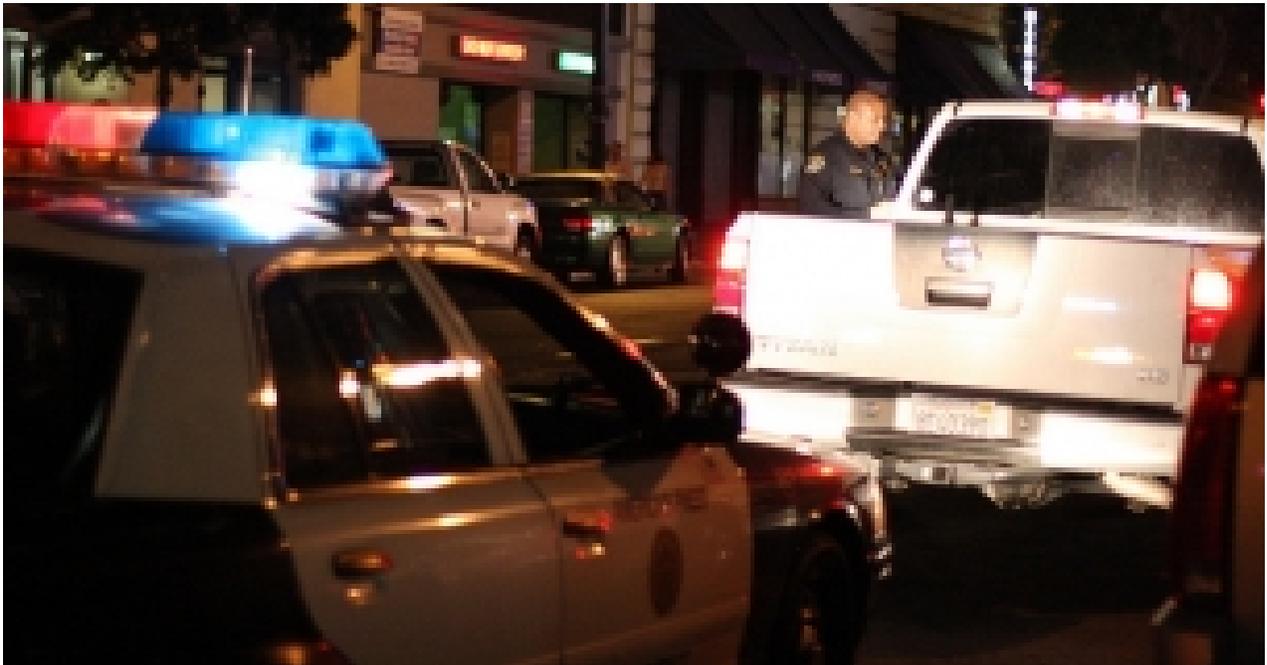
Richard R. Sierra, CPA
Chief, Office of State Audits and Evaluations

Enclosure

cc: Ms. Linda Drageset, Regional Coordinator, Office of Traffic Safety
Ms. Trina Nguyen, Associate Accounting Analyst, Office of Traffic Safety
Ms. Deborah Hrepich, Associate Accounting Analyst, Office of Traffic Safety
Dr. David Ragland, Director, 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. Jyl Baldwin, Associate Director, Sponsored Projects Office, University of California,
Berkeley
Mr. Todd Vizenor, Compliance Officer, Extramural Funds Accounting, University of
California, Berkeley

AUDIT REPORT

University of California, Berkeley Traffic Safety Grant Agreements AL0972, AL1046, and OP1003



Source: University of California, Berkeley

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

MEMBERS OF THE TEAM

Kimberly Tarvin, CPA
Manager

Alma Ramirez
Supervisor

Staff
Rosalie Bradley
Weiping Kruschke

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

TABLE OF CONTENTS

Background, Scope and Methodology	1
Results.....	3
Response	6
Evaluation of Response	9

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.¹

The University of California, Berkeley (UC Berkeley), received three grants from OTS to perform the following activities:

- Grant AL0972—Increase the level of multi-disciplinary traffic-safety education available to college and university students throughout California, and increase public awareness and knowledge of key traffic safety problems, including DUI and occupant restraint use.²
- Grant AL1046—Implement a comprehensive statewide Sobriety Checkpoint program for local law enforcement agencies.³
- Grant OP1003—Launch the Next Generation Click It or Ticket program, consisting of a highly publicized seat belt enforcement mobilization, with the goal to increase seat belt use to ninety-six percent in California.⁴

SCOPE

In accordance with an interagency agreement, the Department Finance, Office of State Audits and Evaluations (Finance), audited the following traffic safety grants:

<u>Grant Agreements</u>	<u>Audit Period</u>	<u>Awarded</u>
AL0972	October 1, 2008 through September 30, 2010	\$ 2,003,103
AL1046	October 1, 2009 through September 30, 2010	\$ 7,996,328
OP1003	October 1, 2009 through September 30, 2010	\$ 3,297,498

The audit objectives were to determine whether UC Berkeley's grant expenditures claimed were in compliance with applicable laws, regulations, and grant requirements; and to determine whether the grant deliverables 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 grant agreement AL0972.

³ Excerpts from grant agreement AL1046.

⁴ Excerpts from grant agreement OP1003.

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.

METHODOLOGY

To determine whether grant expenditures were in compliance with applicable laws, regulations, and the grant requirements; and if the grant requirements were completed, 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 UC Berkeley's accounting records, vendor invoices, personnel records, and subcontractor records.
- 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.
- Evaluated whether a sample of grant objectives were met based on a review of supporting documentation.

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 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.

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 in Observation 1, the grant expenditures claimed were in compliance with the grant agreement requirements and the deliverables 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 AL0972		
Category	Claimed¹	Questioned
Personnel Costs	\$ 951,631	-
Travel Expense	14,629	-
Contractual Services	793,082	-
Other Direct Costs	65,842	-
Indirect Costs	142,745	-
Total Expenditures	\$ 1,967,929	-

Grant Agreement AL1046		
Category	Claimed²	Questioned
Personnel Costs	\$ 298,701	-
Contractual Services	6,718,527	\$ 2,423
Other Direct Costs	33,300	-
Indirect Costs	44,805	-
Total Expenditures	\$ 7,095,333	\$ 2,423

¹ OTS awarded \$2,003,103 and UC Berkeley claimed \$1,967,929.

² OTS awarded \$7,996,328 and UC Berkeley claimed \$7,095,333.

Grant Agreement OP1003		
Category	Claimed³	Questioned
Personnel Costs	\$ 185,600	-
Travel Expense	8	-
Contractual Services	2,583,466	\$ 549
Other Direct Costs	21,693	-
Indirect Costs	27,840	-
Total Expenditures	\$ 2,818,607	\$ 549

Observation 1: Claim Review Process Needs Improvement

UC Berkeley’s claim review process does not routinely verify that personnel costs claimed by subcontractors are based on actual costs incurred, and are supported by adequate timekeeping records and/or payroll documents. Therefore, a risk exists that ineligible subcontractor costs could be paid.

UC Berkeley relied only on signed overtime slips (or overtime summary reports for electronic systems), and general ledger expenditure reports for claim approval. However, this process would not identify the following types of claim errors:

- Staff salary and fringe benefit rates billed in excess of actual salary rates paid.
- Overtime hours claimed that do not represent overtime hours worked. For example, the employee could have worked less than the required hours to earn overtime rates during the week the grant activity was performed.
- Overtime hours claimed did not relate to grant activities.

Further, one subcontractor submitted an overtime summary report that included written corrections and indicated the error was due to a system glitch. We requested additional documentation (timesheets and overtime slips) to verify the accuracy of this report. Because these documents were not provided, we questioned \$2,972 in subcontractor payments.

OTS Grant Manual, section 6.12, states the grantee is responsible for the management of all contracts issued using OTS funds and must review and approve invoices for payment. This requires ensuring payments are made in accordance with contract terms, costs are budgeted and allowable, and the work has been performed. Failure to comply with the grant requirements may result in withholding or disallowance of grant reimbursements, the reduction or termination of grant funding, or denial of future grant funding.

Recommendations:

- A. Remit \$2,972 to OTS. OTS will make the final determination regarding the disposition of the questioned costs.

³ OTS awarded \$3,297,498 and UC Berkeley claimed \$2,818,607.

- B. For future grants, implement claim review procedures that include reviewing timekeeping and personnel documents (or electronic records), such as personal activity reports that account for all of the employee's work activities, supervisory approval of the personal activity reports, overtime approvals, actual salary and fringe benefit rates paid, and other records as appropriate.



BERKELEY, CALIFORNIA 94720-1108

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

January 14, 2014

Mr. Richard R. Sierra
Acting Chief, Office of Audits and Evaluations
California Department of Finance
915 L Street
Sacramento, CA 95814

Dear Mr. Sierra:

Thank you for providing an opportunity for us to review and comment on the draft report from the California Department of Finance, Office of Audits and Evaluations. On behalf of the University of California, Berkeley (UC Berkeley), I would like to thank you for the time invested in this audit, as well as the professionalism and cooperative attitude of audit staff. Below are our comments for your consideration and inclusion in the final report.

Finding 1 – Classification and Billing of Travel Costs

Recommendation No. 1: UC Berkeley should implement claim review procedures that include reviewing overtime slips, timekeeping documents, and other personnel records as appropriate. The Office of Traffic Safety (OTS) will make the final determination regarding disposition of the unsupported amounts.

UC Berkeley Response: UC Berkeley has implemented claim review procedures to receive, review, and accept mini-grantee (subcontractor) claims. Only overtime costs listed in the claims that were supported by source documents provided by the mini-grantees were reimbursed. The source documents included signed overtime slips (or summary reports of authorized/approved overtime if grantees used a paperless, electronic time-keeping system) to support the overtime hours listed in a claim and expenditure reports from the grantees' electronic general ledger system.

The traffic safety grants that were audited were administered by SafeTREC, a department within the School of Public Health at UC Berkeley. During SafeTREC's claim review process, SafeTREC routinely verified that personnel costs claimed by contractors were based on actual costs incurred and were supported by adequate timekeeping records and payroll records. The costs that were perceived to be unsupported by the auditors were related to two cities who had replaced their paper-based timekeeping systems with electronic systems. Employees record and supervisors approve their time electronically within the system rather on paper timesheets. These two cities provided SafeTREC summary timesheets from their system as evidence of time worked since they no longer used individual, hard copy timesheets

and overtime slips. SafeTREC accepted these as adequate documentation as they were generated directly from the timekeeping system and were subject to the electronically based approvals per the cities' policies and procedures. SafeTREC determined that it was not necessary or appropriate to require the two cities to resume the use of a paper-based timekeeping system solely for use in their mini grant enforcement campaigns.

The \$5,270 was supported by documentation from mini-grantees timekeeping systems that was reviewed by SafeTREC personnel and determined to be an allowable and reimbursable expense.

If you have any questions related to the response, please contact Contracts and Grants Accounting Compliance Manager Todd Vizenor at 510-643-6277 or t_vizenor@berkeley.edu.

Sincerely,

(original signed by)

Youssef Kubis
Director, Contracts and Grants Accounting

EVALUATION OF RESPONSE

The University of California, Berkeley's (UC Berkeley), response to the draft report has been reviewed and included in the final report. In evaluating UC Berkeley's response, we provide the following comments:

Observation 1: Claim Review Process Needs Improvement

UC Berkeley disagrees with our observation and states its claim review process was adequate to ensure the subcontracted costs were based on actual costs incurred and were supported by adequate timekeeping records and payroll records.

To mitigate the risk of approving ineligible grant expenditures, we continue to recommend UC Berkeley enhance its claim review procedures for all subcontracted expenditures, whether the records are electronic or paper. We concur that electronic timekeeping systems comprise a valid form of records and are not recommending that the subcontractors convert to paper-based systems.

For the electronic reports sampled, UC Berkeley relied on the summary reports of overtime charged to the grant by employee. Because these records only report overtime information, they do not represent electronic timesheets that account for all the employee's hours and activities to support the validity and accuracy of the amounts claimed to the grants. However, we reconsidered documentation provided in support of the questioned costs and concluded as follows:

1. San Jose Police Department—We accepted the Labor Distribution Report by Fund as support for grant expenditures and reduced the questioned costs for grant AL1046 by \$2,298.
2. Fresno Police Department—We observed manual corrections on the electronic overtime report and statements that a system glitch resulted in erroneous reporting. Because the system is unreliable and additional documentation was not provided to verify the accuracy of the costs claimed, we continue to question \$2,972.

The final report observation was modified to clarify the observation and reduce the questioned costs from \$5,270 to \$2,972.