



Transmitted via e-mail

May 16, 2012

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—City of Los Angeles, Office of Traffic Safety Grant Audit

The Department of Finance, Office of State Audits and Evaluations, has completed its audit of the City of Los Angeles' (City) Roadway Safety Program, grant agreement AL0716 for the period October 1, 2006 through September 30, 2008.

The enclosed report is for your information and use. The draft report was issued on February 14, 2012, and the City's response to the draft report required further analysis. As a result of our analysis, changes were made to the Results section to provide further clarification. 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,

Original signed by:

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

Enclosure

cc: Ms. Deborah Hrepich, Associate Accounting Analyst, Office of Traffic Safety
Mr. Ron Miller, Regional Coordinator, Office of Traffic Safety
Ms. Eileen Decker, Deputy Mayor, Homeland Security & Public Safety, City of Los Angeles
Mr. Charles DeCuir, Financial Director, Homeland Security & Public Safety, City of Los Angeles
Ms. Alisa Finsten, Grant Director, Homeland Security & Public Safety, City of Los Angeles

AUDIT REPORT

City of Los Angeles
Roadway Safety Program
Grant Agreement AL0716

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

MEMBERS OF THE TEAM

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

You can contact our office at:

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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 Los Angeles (City), received a grant from OTS for the Roadway Safety Program: DUI Prevention for Teens. The City's Roadway Safety Program engaged teens in discussion of the consequences of DUI, using theatrical productions and collision site assessment programs with the goal of reducing the number of DUI collisions.²

SCOPE

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

<u>Grant Agreement</u>	<u>Grant Period</u>	<u>Awarded</u>
AL0716	October 1, 2006 through September 30, 2008	\$633,756 ³

The audit objective was 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 goals and objectives were completed as required. In order to design adequate procedures to conduct our audit, 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. OTS is responsible for the state-level administration of the grant program.

¹ Excerpts from www.ots.ca.gov.

² Excerpts from grant agreement AL0716.

³ The original grant award of \$862,160 was reduced to \$633,756 in December 2007.

METHODOLOGY

To determine whether grant expenditures were in compliance with applicable laws, regulations, and the grant requirements; and if the 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 the City's accounting records, personnel documents, 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 staff directly responsible for administering grant funds. The audit was conducted from August 2011 through February 2012.

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.

Except as noted below, the City of Los Angeles (City) was in compliance with the requirements of the grant agreement.

Observation 1: Inadequate Contracting and Monitoring

The City did not ensure the subcontractor activities complied with OTS grant requirements, resulting in ineligible costs claimed and unmet grant objectives as discussed in Observations 2 and 3. The subcontractor’s costs represent 89 percent (\$553,113/\$622,458) of the total grant costs claimed. Specifically, we identified the following contracting and monitoring weaknesses:

- The goals and objectives in the subcontract agreement were not consistent with the OTS grant agreement.
- The City did not verify the subcontractor activities were accurately reported and adequately supported by documentation.

The OTS grant agreement specifies allowable costs and the goals and objectives required. Further, OTS Program Manual, section 6.12, states the applicant agency is responsible for the management of all contracts issued using OTS funds.

Recommendations:

- A. Ensure subcontracts are consistent with the OTS grant agreement.
- B. Review supporting documentation to ensure claimed expenditures are eligible for reimbursement and reported activities are accurate and supported.

Observation 2: Ineligible Contractual Services Expenditures of \$21,083

Table 1: Schedule of Claimed and Questioned Amounts

Grant Agreement AL0716		
For the Period October 1, 2006 through September 30, 2008		
Category	Claimed⁴	Questioned
Personnel Costs	\$ 59,689	\$ 0
Travel Expenses	703	0
Contractual Services	553,113	21,083
Indirect Costs	8,953	0
Total Expenditures	\$ 622,458	\$ 21,083

The OTS grant agreement and OTS Program Manual specify the activities and costs eligible for reimbursement. Due to the contracting and monitoring weaknesses noted above, the City claimed \$21,083 in ineligible expenditures as follows:

⁴ The City only claimed \$622,458 of the \$633,756 awarded.

- \$11,840 was claimed for video production supplies and services which is inconsistent with the objectives of the grant agreement requiring live theater productions and performances.
- \$6,463 was over claimed for personnel costs. The claimed fringe benefits included \$7,499 in employees' federal and state tax withholdings, which was reduced by \$1,036 in unclaimed salary expenses. In accordance with OTS Grant Program Manual section 2.51, employee contributions and tax withholdings are not eligible for reimbursement.
- \$2,780 was claimed for computer equipment and warranties that were not listed in the subcontract agreement budget. The subcontract agreement states that any computer related purchases must be clearly identified within the budget.

Recommendations:

- A. Remit \$21,083 to OTS. OTS will make the final determination regarding disposition of the questioned costs.
- B. For future grants, review supporting documentation to ensure claimed expenditures are eligible for reimbursement and consistent with the objectives of the OTS grant agreement.

Observation 3: Unmet or Unsupported Grant Goals and Objectives

The City did not meet three of the five goals as presented in Table 2. Further, the City did not fully meet four of the six objectives presented in Table 3 due to the contracting and monitoring weaknesses noted above.

The OTS grant agreement outlines the goals and objectives required to be accomplished by the City by the end of the grant period. Failure to meet the goals and objectives may result in withholding or disallowance of grant reimbursements, reduction or termination of grant funding, or denial of future grant funding.

Table 2: Schedule of Goals

Goal	Description	Results
1	Reduce traffic collisions among teens between the ages of 16 and 18 due to the use of alcohol and drugs by 37 percent from the 2004 base year.	The City reported that the total number of teens killed or injured related to DUI traffic collisions was reduced from 174 to 136 between 2006 and 2008. This represents a reduction of 22 percent (38 fewer victims in 2008/174 victims in 2006). Finance was unable to validate this data.
2	Reduce traffic injuries among teens between the ages of 16 and 18 due to the use of alcohol and drugs by 35 percent from the 2004 base year.	
3	Reduce traffic deaths among teens between the ages of 16 and 18 due to the use of alcohol and drugs by 30 percent from the 2004 base year.	

Table 3: Schedule of Objectives

Objective	Description	Results
1	Produce 75 theatrical productions at 30 middle schools and 45 high schools, impacting approximately 75,000 students.	Productions were held at 31 middle schools and 19 high schools. The number of students impacted was not reported and supporting documentation was not available to validate the reported number of students impacted.
2	Coordinate with each of the above 75 schools to produce a minimum of 10 additional performances at other sites for a total of 750 performances impacting approximately 200,000 youths.	211 additional performances were reported, impacting approximately 89,023 students. Records were not maintained to validate the number of students impacted.
3	Conduct 150 Driving Under the Influence (DUI) collision assessment programs at 75 middle school sites and 75 high school sites, impacting 75,000 students.	235 DUI collision assessments impacting 77,224 students were reported. However, only 169 assessments were held at approved venues (middle and high schools) and records were not maintained to validate the number of students impacted as reported.
4	Conduct four media events, two by September 30, 2007 and an additional two by September 30, 2008.	Two media events took place: November 16, 2007 and January 18, 2008.

Recommendations:

- A. Effectively plan and monitor the grant activities so the goals and objectives are met for future grants. OTS will determine the actions, if any, to take as a result of unmet goals and objectives.
- B. Ensure adequate supporting documentation is retained to demonstrate the required goals and objectives were met.



OFFICE OF THE MAYOR
ANTONIO R. VILLARAIGOSA

March 8, 2012

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

Dear Mr. Botelho:

Attached please find the response of the City of Los Angeles to the Department of Finance's Draft Report, dated February 14, 2012, regarding the audit of the Roadway Safety Program grant.

Thank you very much for the opportunity to respond to the draft report. Should your office have any questions, please do not hesitate to contact me. However, you should also feel free to directly contact members of my staff, Charles DeCuir, Financial Director at (213) 978-0709 and Julie Kraim Zeisler at (213) 978-4607, who I believe you will find are very knowledgeable about the contents of this response as well as the specifics of this grant.

Very truly yours,

Original signed by:

Eileen M. Decker
Deputy Mayor
Homeland Security & Public Safety



The City of Los Angeles

City of Los Angeles, Office of Traffic Safety Grant Audit

RESPONSE TO AUDIT OBSERVATIONS AND RECOMMENDATIONS

Introduction

The City of Los Angeles hereby responds to the Department of Finance's (DOF) Draft Report, dated February 14, 2012, regarding the audit of the Roadway Safety Program grant. We greatly appreciate the opportunity to respond, and welcome any further questions that may arise as a result of our response.

Based on our review of the observations and recommendations detailed in the draft report, as well as the underlying documentation and the City's response below, the City believes it managed the grant in a manner consistent with both its own established policies and procedures and the grant guidance provided by the grantor. The City's programmatic and financial staff reviewed all documentation for eligibility and allowability under the grant, verified that all expenditures were supported by accurate documentation, and received ample evidence that the sub-contractor met the goals and objectives set forth in both the sub-recipient contract and the OTS grant agreement. In support of this conclusion, we provide the following detailed response to the Draft Report:

Observation 1: Inadequate Contracting and Monitoring

1. The City did not ensure the subcontractor activities complied with OTS grant requirements, resulting in ineligible costs claimed and unmet grant objectives as discussed in Observation 2 and 3. The subcontractor's costs represent 89 percent (\$553,113/\$622,458) of the total grant costs claimed. Specifically, we identified the following contracting and monitoring weaknesses:
 - The goals and objectives in the subcontract agreement were not consistent with the OTS grant agreement.
 - The subcontractor budget did not account for \$69,384 of \$740,000 (9 percent) in funds included in the subcontract agreement.
 - The City did not verify the subcontractor activities were accurately reported and adequately supported by documentation.

Recommendations:

- A. Ensure contracts are consistent with the OTS grant agreement and contain detailed budgets accounting for the entire contract award.
- B. Review supporting documentation to ensure claimed expenditures are eligible for reimbursement and reported activities are accurate and supported.

RESPONSE:

The Mayor's Office of Homeland Security and Public Safety (HSPS) has a grant specialist dedicated to Public Safety contracts who works in conjunction with a City Attorney who is specifically assigned to work on grants with our office. Both individuals are very knowledgeable of grant compliance requirements, as provided for in the OTS grant guidance and also as provided for in the grant guidance provided for in other similar grants that have been awarded to the City. At all times, they endeavored to ensure the subcontractor activities complied with OTS grant requirements.

The subcontract agreement was consistent with the goals and objectives in the OTS Grant Agreement. Further, the goals and objectives in the OTS Grant Agreement were understood and acknowledged by the contractor (Safe Moves). While the language used in the subcontract agreement was not precisely aligned with the language outlined in the OTS Grant Agreement, the contractor was aware of the goals and objectives of this grant. The City ensured that the contractor was aware of and was committed to achieving the goals and objectives set forth in the OTS Grant Agreement by providing them with a template that contained the number of students and schools to be served each month. These reports were provided to the contractor to be filled out on a monthly basis. These monthly progress reports were reviewed for compliance by HSPS and reviewed for accuracy based on the back-up documentation that Safe Moves provided, including the list of schools, evaluation forms, and other required documentation. These progress reports were provided to the grantor and auditor.

While the Professional Services Agreement between the City of Los Angeles and Safe Moves did not specifically state the number of students to be served, the progress reports contained the detailed goals and objectives outlined in the OTS grant agreement, including the number of schools and students to be served. In addition, the OTS Grant Agreement detailed that Safe Moves would be responsible for conducting performances and presentations at a specific number of schools throughout the grant period. The Safe Moves contract and budget narrative detailed the number of schools that would be served, which was consistent with the OTS grant agreement.

Furthermore, the City of Los Angeles is in compliance with the OTS grant agreement regarding what should be included in the Professional Services Agreement between the contractor and the City. Specifically, in the OTS Grant Agreement, the project description provides the following Scope of Work: 1) Design and develop interactive DUI Collision Assessment Programs Prevention and Theatrical Productions for teens residing in the City of Los Angeles; 2) Conduct outreach to the Los Angeles Unified School District and private schools to schedule the delivery of prevention services at designated school sites; 3) Develop and produce promotional and educational materials targeting teens; and 4) Collect and evaluate pre/post program surveys from participants and their family members. (See attached Schedule A). The City of Los Angeles included each of these items in the Professional Services Agreement between the contractor and the City. Furthermore, our City Attorney ensures that all language to be

included in the sub-contractor agreement is based on the grant guidance and related contractual requirements that come from the grantor. The City Attorney reviewed the Professional Services Agreement with Safe Moves for accuracy and inclusion of all language required by the grantor.

Although the original budget did not include \$69,384 of the total contract amount, the City discovered this error, notified the grantor and Safe Moves, and corrected the error via a contract amendment between Safe Moves and the City dated May 5, 2008. The contract amendment shows the total allocated amount for Safe Moves was \$563,307.88 and the detailed budget reflects that amount over the contract period. The \$563,307.88 contract amount includes the reduction for \$69,384 that was originally omitted. The budget amendment also reflected the reduction for the de-obligation of grant funds (\$228,403.54) which took effect on January 2, 2008 (“The Office of Traffic Safety has adjusted funding to reflect the de-obligation of \$228,403.54 in unexpended prior year funds.”) Please see attached contract amendment with budget detail and OTS revised grant agreement.

As a result of the above information, and information provided by auditors during their visit, the City did verify the contractor activities were accurately reported and adequately supported by documentation, and did ensure that the subcontractor complied with OTS grant requirements.

Observation 2: Ineligible Contractual Services and Expenditures of \$21,407

2. The OTS grant agreement and OTS Program manual specify the activities and costs eligible for reimbursement. Due to the contracting and monitoring weakness noted above, the City claimed \$21,407 in ineligible expenditures.

Recommendations:

- A. Remit \$21,407 to OTS. OTS will make the final determination regarding disposition of the questioned costs
- B. For future grants, review supporting documentation to ensure claimed expenditures are eligible for reimbursement and consistent with the objectives of the OTS grant agreement.

RESPONSE:

Supporting documentation for reimbursement is reviewed in depth by the assigned Grant Specialist to determine compliance with the objectives of the OTS grant agreement. Grant Specialists have been trained on the grant guidelines and are involved in the drafting of the contracts to ensure a complete understanding of the eligibility of expenditures for reimbursement. Supporting documentation for reimbursement is reviewed by our Grant Specialist to determine eligibility and by our Financial Management Unit to validate that all necessary back up documentation has been received, reviewed, and approved.

1. We dispute the observation that \$11,840 claimed for video supplies was inconsistent with the objectives of the grant agreement. The grant objectives are designed to decrease incidents of DUIs and increase awareness. The videos were promotional material and included a traffic safety message as dictated by the OTS grant agreement (See Page 2 of the OTS Grant Agreement: “purchase or develop promotional and/or education materials to promote traffic safety awareness . . .”). During the OTS monitoring visit on May 14, 2008, OTS acknowledged receipt of Safe Moves promotional video (See Page 3 of Monitoring Report). The video production supplies were in keeping with the grant objectives of promoting traffic safety awareness and encouraged participation in traffic safety presentations and contests. Promotional materials were sent to the grant manager at OTS, who acknowledged receipt and approval of these items as promotional materials. Furthermore, it was our belief that video distribution of the promotional materials was a cost effective mechanism to reach more students and more schools, particularly given the size and complexity of the Los Angeles Unified School District.

We dispute the observation that \$1,442.95 that was claimed to be a duplicate reimbursement from invoice #3 for a Best Buy receipt. Invoice #3 did not contain a reimbursement for Best Buy for \$1,442.95. (See Invoice #3)

2. We dispute the observation that \$6,463 was over-claimed for personnel costs. Per OTS Grant Program Manual section 2.51, “Fringe Benefits – Employee benefits for authorized absences such as annual leave and sick leave, as well as employer’s contributions to social security, health insurance, workmen’s compensation, and the like provided they are granted under approved plans, and are distributed equitably to the grant and all other activities.” We interpret this section to include employee federal and state tax withholdings as an allowable expense. We draw this conclusion based upon advice from our City Attorney as well as practices instituted by other similar grants that we have received.
3. Per the Professional Services Agreement with Safe Moves, eligible costs include computer equipment up to \$1,000 per item. The Agreement specifically provides: “Fixed assets and computer equipment up to \$1,000 per item, that is necessary for the delivery of services directly associated with the project.” (See page 29). All computer equipment and warranties purchased were under \$1,000. Additionally, the City determined that computers were necessary to conduct approved grant-related activities, such as creating and sending out surveys, evaluation forms, and reporting.
4. We dispute the finding that \$324 was claimed for furniture. On May 14, 2008, OTS monitored the grant and discovered that \$258.95 was spent on office furniture, and requested that it be deducted from the following month’s claim, which it was. (See claim #7 and related backup from the OTS monitor visit

attached). The OTS monitor allowed the remaining items listed on the receipt which totaled \$285.56.

Observation 3: Unmet or Unsupported Grant Goals and Objectives

1. Due to lack of available data, the City could not determine whether three of the five goals were met as presented in Table 3 due to the contracting and monitoring weaknesses noted above.

Recommendations:

- A. Effectively plan and monitor the grant activities so the goals and objectives are met for future grants. OTS will determine the actions, if any, to take as a result of unmet goals and objectives.
- B. Ensure adequate supporting documentation is retained to demonstrate the required goals and objectives were met.

RESPONSE:

The City reviewed data on DUI-related traffic collisions in Los Angeles from 2006, when data began being available electronically, through 2008. Our review of this data showed that the number of teens killed and injured from driving under the influence decreased between 2006 and 2008, from 174 teen victims killed or injured, to 136 victims. This review demonstrated that Safe Moves met its project goals. This data was obtained directly from OTS. The City was mindful of its obligation to obtain statistics. However, when we approached our local law enforcement department to obtain said data, we learned that this data is not maintained electronically but that it is maintained on handwritten documents that would have to be manually reviewed. We were further informed that this data would be extremely labor and time intensive to compile given the manner in which they were maintained. As a result, we learned that the grantor maintained the requested data in electronic form. The City, therefore, relied upon OTS statistics that it makes publicly available to ensure that the program was being successful in terms of meeting the stated goals.

All grant activities were detailed in the Professional Services Agreement between the City of Los Angeles and Safe Moves. Monitoring visits were conducted by HSPS during the grant period, and all monitoring visits and audits included a detailed review of goals and objectives as a tool to determine the effectiveness of the programs.

In an effort to be more effective in our monitoring practices, in March 2011 HSPS created two positions that are responsible for its monitoring program. These new positions coordinate and conduct the monitoring of subrecipients. Their duties include conducting monitor visits, follow-up and resolution of audit findings, review of subrecipient procurements, review of internal controls, and conducting the physical inventory of all grant-related equipment purchases. The audits also include a performance review to ensure that all goals and objectives are met. We believe with this

new centralized approach to monitoring, that we have become more effective in ensuring that the goals and objectives of the grantors have been achieved.

Furthermore, HSPS ensures that adequate supporting documentation is retained demonstrating that the goals and objectives have been achieved through quarterly desk reviews. During the quarterly desk reviews supporting documentation related to the goals and objectives is analyzed to verify compliance and to evaluate if the program is meeting its goals and objectives.

With respect to this grant, HSPS received monthly progress reports from Safe Moves during the contract period. Specifically, HSPS received, reviewed, and retained monthly reports from Safe Moves from April 2007 through September 2008. HSPS has continued to retain these documents for its files. The progress reports detail the established objectives and goals of the project and include detailed descriptions of all activities that took place to meet the established goals and objectives of the grant. Additionally, Safe Moves made these reports available to the auditor. Further, the monitoring HSPS conducted of Safe Moves resulted in our belief that Safe Moves had attempted to meet the goals and objectives of the grant by not only making the actual presentations at the schools, but by conducting extensive outreach to many schools in an effort to make many more presentations than the final statistics reflect.

If you have any questions regarding the financial review or require assistance in the future, please contact Charles DeCuir, Financial Director at (213) 978-0709 or Julie Kraim Zeisler at (213) 978-4607.

EVALUATION OF RESPONSE

The Department of Finance, Office of State Audits and Evaluations (Finance), reviewed the City of Los Angeles' (City) response, dated March 8, 2012, to our draft audit report. The Attachment to the City's response was removed for brevity and consisted of the Office of Traffic Safety (OTS) grant agreement AL0716, amended subcontract agreement dated May 5, 2008, documentation pertaining to OTS Claims, and an OTS Grantee Performance Review.

The City indicated that it created two positions that are responsible for monitoring its program that will address the various issues noted below. Finance appreciates that the City is taking corrective actions related to the observations below. The following comments relate to the observations included in the draft report.

Observation 1: Inadequate Contracting and Monitoring

- The goals and objectives in the subcontract agreement were not consistent with the OTS grant program agreement.

The City acknowledges in its response that the language used in the subcontract agreement was not precisely aligned with the language outlined in the OTS grant agreement. Additionally, the City states its subcontractor was aware of the goals and objectives. The subcontractor's knowledge of the goals and objectives outlined in the OTS grant agreement with the City does not legally obligate the subcontractor to perform any activities not specified in the subcontract agreement. Further, this was the only subcontractor that the City contracted with to achieve the OTS grant agreement goals and objectives. As such, it is imperative that the goals and objectives in the subcontract are clearly aligned with the goals and objectives of the OTS grant agreement. Therefore, the finding remains as originally stated in the report.

- The subcontract budget did not account for \$69,384 of \$740,000 (9 percent) in funds included in the subcontract agreement.

Based on review of the additional documentation provided with the City's response, this issue was deleted from the report.

- The City did not verify the subcontractor activities were accurately reported and adequately supported by documentation.

The City stated that they provided a template for the contractor to use for monthly reporting, which was reviewed by the City for compliance and accuracy. A thorough review of the reports for compliance and accuracy would have revealed reporting inconsistencies, lack of adequate supporting documentation, ineligible costs, and unmet or unsupported grant goals and objectives. Therefore, this observation remains as originally stated in the report.

Observation 2: Ineligible Contractual Services and Expenditures of \$21,407

- The City disputes the observation that \$11,840 claimed for video supplies was inconsistent with the objectives of the grant agreement, claiming that the videos were promotional material to help promote traffic safety awareness. The grant agreement specifies allowable promotional materials, indicating these materials may also include other items, if approved by OTS.

The City claims that receipt of the videos by the grant manager implies OTS acceptance of these items as promotional materials. OTS acknowledges being provided the videos, but makes a distinction between knowing the videos were produced, and knowing that OTS grant funds were used to pay for these videos. Further, the City did not provide evidence that OTS approved the use of video equipment and services for promotional and educational materials. Therefore, this observation remains as originally stated in the report.

- The City claims that the \$1,442.95 was not a duplicate reimbursement. Finance verified the duplicate invoice was not claimed to OTS. Therefore, this portion of the finding was deleted from the report. However, the original \$1,442.95 cost continues to be ineligible for reimbursement because the cost was incurred for a DVD Digital Camcorder, speaker, and a related warranty, which is inconsistent with the objectives of the grant agreement requiring live theater productions and performances.
- The City disputes the observation that \$6,463 was over-claimed for personnel costs, indicating they interpret the OTS Grant Program manual to include employee withholding for federal and state tax. The OTS Grant Program manual referenced by the City lists the employer's contributions to social security, health insurance, workmen's compensation and the like as allowable costs. Finance did not question the employer's contribution to social security and other benefits. The \$6,463 in questioned costs represents income taxes withheld from employee's gross pay. These costs are related to the employee's income taxes and are not incurred by the City. Therefore, these costs are not eligible for reimbursement and the observation remains as originally stated in the report.
- The City contends that computer purchases totaling \$2,780 were necessary for delivery of services directly associated with the project, stating that computers were necessary for the subcontractor to create and send surveys, evaluation forms, and reporting. Pursuant to the subcontract agreement, section 433(B), expenditures shall be made in conformance with the City approved Budget Summary/Expenditure Plan. Computer-related purchases were not included in the budget of the original subcontract agreement, nor the amended agreement dated May 5, 2008. Therefore, this observation remains as originally stated in the report.
- The City disputes the finding that \$324 was claimed for furniture, providing documentation to reflect that OTS had deducted \$259 of this amount from a subsequent claim. Finance concurs and does not question the remaining balance of the costs associated with the purchase of furniture. This finding was deleted from the report.

Observation 3: Unmet or Unsupported Grant Goals and Objectives

Finance concurs that it is reasonable for the City to rely on statistical information maintained by OTS rather than duplicating efforts to collect the same data if the data maintained by OTS correlates to the specific goals in the grant. Additionally, the City indicates that they obtained data directly from OTS when it became available electronically.

The City indicates that the total number of teens killed or injured related to DUI traffic collisions in Los Angeles was reduced from 174 to 136 between the years 2006 and 2008. This represents a reduction of 22 percent (38 fewer victims in 2008/174 victims in 2006). However, these statistics provided do not indicate the specific age group that was associated with the data. Further, based on the information above, the City did not meet any of the goals in the grant agreement.

Specifically, the grant agreement includes the following goals:

1. Reduce traffic collisions among teens between the ages of 16 and 18 due to the use of alcohol and drugs by 37 percent from the 2004 base year.
2. Reduce traffic injuries among teens between the ages of 16 and 18 due to the use of alcohol and drugs by 35 percent from the 2004 base year.
3. Reduce traffic deaths among teens between the ages of 16 and 18 due to the use of alcohol and drugs by 30 percent from the 2004 base year.

The 22 percent decrease reported for the combined total of the three goals does not meet the requirements for a 30 to 37 percent decline required by the individual goals above. Although we modified the draft report to include the statistics reported by the City, we were unable to validate this data.