



Transmitted via e-mail

February 15, 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 Visalia, Traffic Safety Grant Audit

The Department of Finance, Office of State Audits and Evaluations, has completed its audit of the City of Visalia's (City) Avoid the 11 DUI Campaign grant AL0835, for the period October 1, 2007 through September 30, 2010.

The enclosed report is for your information and use. The draft report was issued on December 5, 2011, 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 Alma Ramirez, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

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

Enclosure

cc: Mr. Mitch Zehnder, Regional Coordinator, Office of Traffic Safety
Ms. Deborah Hrepich, Associate Accounting Analyst, Office of Traffic Safety
Ms. Colleen Mestas, Chief of Police, Visalia Police Department, City of Visalia
Mr. Brian Winter, Traffic Sergeant, Visalia Police Department, City of Visalia
Mr. Jon Pree, Traffic Sergeant, Visalia Police Department, City of Visalia
Mr. Chuck Hindenburg, Finance Manager, Visalia Police Department, City of Visalia
Ms. Melody Murch, Finance Manager, Administrative Services Department, City of Visalia

AUDIT REPORT
City of Visalia
Grant Agreement AL0835



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

MEMBERS OF THE TEAM

Kimberly Tarvin, CPA
Manager

Alma Ramirez, CPA
Supervisor

Staff
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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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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 City of Visalia Police Department (City) received a grant from OTS to serve as the host agency for a regional DUI effort in Tulare County. The grant's purpose is to reduce alcohol-involved fatalities and injuries and raise general public awareness regarding the problems associated with drinking and driving. Participating agencies included police departments from the cities of Dinuba, Exeter, Farmersville, Lindsay, Porterville, Tulare, and Woodlake; the Tulare County Sheriff's Office; Tulare County Department of Probation; and California Highway Patrol. Activities included DUI checkpoints, DUI saturation patrols, and warrant/court operations for multiple DUI offenders.²

SCOPE

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

<u>Grant Agreement</u>	<u>Grant Period</u>	<u>Award</u>
AL0835	October 1, 2007 through September 30, 2010	\$310,096

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.

City 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 Source: Grant Agreement AL0835.

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 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, vendor invoices, and cancelled checks.
- 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 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 staff directly responsible for administering grant funds. The audit was conducted from March 2011 through December 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 that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Except as noted below, the City was in compliance with the requirements of the grant agreement. The Schedule of Claimed amounts is presented in Table 1.

Table 1: Schedule of Claimed Amounts

Grant Agreement AL0835 October 1, 2007 through September 30, 2010	
Category	Claimed ¹
Personnel Costs	\$102,020
Travel Expenses	6,054
Contractual Services	127,783
Equipment	42,076
Other Direct Costs	15,023
Indirect Costs	3,759
Total Expenditures	\$296,715

Observation 1: Inadequate Review of Subcontractor Expenditures

The City did not adequately review its subcontractors' claims and supporting documentation to ensure the costs claimed were accurate and adequately supported by timekeeping records. For example, timesheets were not properly coded to the specific grant activities. For subcontractor costs, we performed alternative procedures to assess the reasonableness of the hours claimed. Without a proper review of subcontractor supporting documentation, grant funds could be misused, grant objectives not met, and/or costs disallowed.

The OTS Grant Program Manual sections 4.1, 4.5, and 5.1 state it is the applicant agency's responsibility to ensure: 1) Grant costs are supported by detailed source documents that reliably account for funds expended, 2) Claims are prepared using the agency's accounting records and based only on recorded costs for the period covered, and 3) Claims are correctly computed and reconciled.

Recommendations:

The City should:

- A. Review subcontractor supporting documentation for eligibility and accuracy prior to approving the expenditure for payment.
- B. Provide training to subcontractor agencies to ensure they maintain adequate timekeeping records to support the costs claimed.

¹ The City only claimed \$296,715 of the \$310,096 awarded.

City of Visalia

303 S. Johnson Street, Visalia, CA 93291



Police Administration

phone (559) 713-4238 Fax (559) 713-4807

January 18, 2012

Kimberly Tarvin, Manager
Office of State Audits and Evaluations
915 L Street
Sacramento, CA 95814-3706

Dear Ms. Tarvin:

It has been a pleasure working with you and your staff through this process. This letter is in response to the draft report dated December 28, 2011, regarding the AVOID the 11 DUI campaign (Grant #AL0835). Thank you for the extension to respond to the draft report in light of the holiday season.

The grant audit was an educational process for us, and we are appreciative of the observation your staff has made. We now have safeguards in place to adequately review subcontractor expenditures, and will continue to work with our subcontractor agencies to ensure that clerical errors do not occur. Additionally, specific training will be provided to all subcontractor agencies regarding proper documentation and supporting documentation needed for all future grant activities.

After a review of the questioned subcontractor costs, we have been provided with additional supporting documentation from our subcontractors, which would appear to adequately address the listed questioned costs. We understand that any final questioned costs will ultimately be our responsibility.

Again, it was a pleasure to work with you and your staff, and if you should have any questions, please feel free to contact me directly.

Sincerely,

Original signed by:

Colleen Mestas, Chief of Police
Visalia Police Department

EVALUATION OF RESPONSE

The Department of Finance reviewed the City of Visalia's (City) response, dated January 18, 2012, to our draft audit report. Comments are not provided for the portions of the observation where the City agrees or proposes adequate corrective action. The following comments relate to Observation 1.

Observation 1: Inadequate Review of Subcontractor Expenditures

The City disagrees with the \$943 questioned contractual services costs and provided additional documentation demonstrating the eligibility of these costs. Therefore, the report was modified to eliminate the questioned costs from the Schedule of Claimed Amounts and Observation 1.