



Transmitted via e-mail

January 19, 2011

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

Dear Ms. Meadows:

Final Report—University of California Davis Medical Center, Office of Traffic Safety Grant Audit

The Department of Finance, Office of State Audits and Evaluations (Finance), has completed its audit of the University of California Davis Medical Center's (Center) Booster Seat Educational Program, grant agreement OP0708, for the period October 1, 2006 through September 30, 2008.

The enclosed report is for your information and use. The Center's response to the report findings and our evaluation of the response are incorporated into this final report.

In accordance with Finance's policy of increased transparency, the final 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 the University of California, Davis and Center staff. If you have any questions regarding this report, please contact Kimberly Tarvin, Manager, or Osman Sanneh, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

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

Enclosure

cc: On following page

cc: Mr. Ahmad Hakim-Elahi, PhD., Director, University of California, Davis, Office of Research, Sponsored Programs
Ms. Deborah Hrepich, Associate Accounting Analyst, Office of Traffic Safety
Ms. Kathleen Hass, Project Fiscal Official, Associate Accounting Officer—Extramural Funds Accounting, University of California, Davis
Mr. James Ringo, Assistant Manager—Extramural Funds Accounting, University of California, Davis
Ms. Christy Adams, Trauma Prevention Unit Coordinator, University of California Davis Medical Center
Ms. Linda Dickinson, Analyst, Financial Services Administration, University of California Davis Medical Center

A GRANT AUDIT

University of California Davis Medical Center
Booster Seat Education Program
Grant Agreement OP0708

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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TABLE OF CONTENTS

Background, Scope, and Methodology.....	1
Results.....	3
Response.....	4
Evaluation of Response	8

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.

The University of California Davis Medical Center (Center) received a grant from OTS to develop and implement an educational booster seat program. The program provided training and educational materials to Center staff and Sacramento schools, collaborated with the California Highway Patrol and local law enforcement agencies, and provided low/no cost child safety seats.

SCOPE

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

<u>Grant Agreement</u>	<u>Audit Period</u>	<u>Amount</u>
OP0708	October 1, 2006 through September 30, 2008	\$509,168

The audit objective was to determine whether the Center's grant expenditures 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.

Center management is responsible for ensuring accurate financial reporting and compliance with applicable laws, regulations, and grant requirements as well as evaluating the efficiency and effectiveness of the program. OTS is responsible for the state-level administration of the grant funds.

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.

- Obtained an understanding of the grant-related internal controls.
- Examined the grant files.
- Reviewed the Center's accounting records.
- Determined whether a sample of expenditures were:
 - Allowable
 - Grant related
 - Incurred within the grant period
 - Supported by accounting records
 - Properly recorded
 - Not double billed to other revenue sources
- Evaluated whether the goals and objectives required by the grant agreement were substantially 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 November 2009 through October 2010.

The audit was conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our observations and recommendations based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our observations and recommendations.

Except as noted below, the Center's grant expenditures were in compliance with applicable laws, regulations, and the grant requirements. The Schedule of Claimed, Audited, and Questioned Amounts is presented in Table 1. Additionally, one observation is reported below.

Table 1: Schedule of Claimed, Audited, and Questioned Amounts

Grant Agreement OP0708			
For the Period October 1, 2006 through September 30, 2008			
Category	Claimed	Audited	Questioned
Personnel Costs	\$335,503	\$335,503	0
Travel Expenses	1,937	1,937	0
Contractual Services	70,000	2,250	\$67,750
Other Direct Costs	49,936	49,936	0
Indirect Costs	50,325	50,325	0
Total Expenditures	\$507,701	\$439,951	\$67,750

Observation 1: Unsupported Costs of \$67,750

Contractual services costs totaling \$67,750 are not eligible for reimbursement. Specifically, the Center failed to provide the timesheets and subcontractors' staff hourly cost to support \$59,500 in subcontractor personnel costs claimed. In addition, the Center failed to provide invoices/receipts to support \$8,250 in subcontractor printing and supplies costs claimed.

The Center did not require supporting documentation to be submitted with the request for reimbursement. The subcontractor agreements, Records and Audits section, states the subcontractor shall maintain books, records, documents, other evidence, and accounting procedures and practices sufficient to reflect properly all direct and indirect costs incurred in the performance of the agreement.

Additionally, all such records and subcontractor facilities are subject to inspection and audit by OTS.

Recommendations:

- A. The Center should remit \$67,750 to OTS. OTS will make the final determination regarding disposition of the questioned costs.
- B. For future grants, the Center should require adequate supporting documentation from subcontractors prior to payment.



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December 9, 2010

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

Dear Mr. Botelho:

We have reviewed the draft report of the audit of Office of Traffic Safety grant agreement OP0708. As requested we are providing the following response to the findings of the report:

Observation 1: Unsupported Costs of \$75,817

Audit Report Comment:

Personnel Costs—The Center claimed \$7,015 in personnel costs that were charged to other cost centers in the accounting records. The OTS Grant Manual, section 4.4.1, states personnel costs must be supported by activity reports that document actual grant activities worked and include the signatures of the employee and an official with firsthand knowledge of the grant activities.

UC DAVIS RESPONSE:

Time cards for grant analyst/ NHTSA instructor (Cathy Morris) for the two-week pay periods ending 6/2/07 and 8/11/07 were not coded to the grant. In addition, her timecards for pay period ending 8/11/07 show no hours worked. Amount questioned is \$7,015. (Excerpt from email sent by Patty Roth to Christy Adams on 2/11/10).

Based on the above communication from Patty Roth on 2/11/10, the \$7,015 in personnel costs that are being questioned were for Catherine (Cathy) Morris during the pay periods of 5/20/07-6/02/07 and 7/29/07-8/11/07. Although the Department of Finance (DOF) states that these charges were unsupported, the following documentation supports the work completed by Cathy Morris on OP0708 during these time periods.

- A copy of Cathy Morris' work calendar (**Attachment A**) for the time periods in question clearly demonstrate child passenger safety activities conducted by Cathy that were directly related to the OP0708 grant objectives.

- The DOF claim that charges for this time were unsupported is based on the electronic time keeping document (Kronos) that was submitted to DOF during the audit process for the payroll periods in question. The Kronos documents that were submitted do not indicate the OTS grant account (S-OTS0708) being charged for the pay periods in question (**Attachment B**), however, the document shows that the hours worked were approved by supervisory staff as follows:
 - 5/20/07-6/02/07 Approved by Bonnie McCracken (bmccracken), acting program manager and supervisor for Cathy Morris during that week
 - 7/29/07-8/11/07 Sign-off (approval) by Cheryl Wraa (cwraa), trauma program manager and supervisor for Cathy Morris.
- The omission of the OTS grant account number on the timekeeping document was due to an administrative error that occurred during the timecard approval process that caused these periods to be charged to the account under which Cathy's position was housed (1009870), rather than to the OTS grant account (S-OTS0708). Because hours worked by Cathy during these pay periods were exclusively grant related activities, the program manager (Cheryl Wraa) transferred the charges for these pay periods from 1009870 to SOTS0708 in the payroll system (PPS) as indicated in **Attachment C** to appropriately record the employee's salary on the correct account (S-OTS0708).

Audit Report Comment:

Indirect Costs—As a result of the above ineligible personnel costs \$1,052 in indirect costs are not eligible for reimbursement. The grant agreement allows for 15 percent of eligible personnel costs to be claimed as indirect costs.

UC DAVIS RESPONSE:

- Based on the above we believe the personnel costs are allowable; therefore the associated indirect costs are also allowable.

Audit Report Comment:

Subcontractor Costs—For \$59,500 in personnel costs claimed, the subcontractors did not have activity reports documenting the actual time staff worked on the grant. Furthermore, subcontractors did not have invoices or receipts to support \$8,250 in printing and supplies costs. This occurred because the Center did not require the supporting documentation to be submitted with the request for reimbursement. The subcontractor agreements, Records and Audits section, states the subcontractor shall maintain books, records, documents, other evidence, and accounting procedures and practices sufficient to reflect properly all direct and indirect costs incurred in the performance of the agreement. Additionally, all such records and subcontractor facilities are subject to inspection and audit by OTS.

UC DAVIS RESPONSE:

The UC Davis Trauma Program subcontracted with 7 community based agencies (Collaboratives) to assist with the completion of OP0708 grant objectives 10, 12, 13 and 14 as shown page 3 of Schedule A (**Attachment D**). Subcontracts with each agency included a detailed scope of work mandating child passenger and bicycle safety training as well as specific deliverables. Each of the 7 subcontractors was required to submit quarterly activity reports demonstrating progress on the scope of work. UC Davis compiled all reports into a final report that clearly demonstrated a scope of work completed by the

subcontractors that exceeded contractual requirements (**Attachment E**). At the completion of the contractual agreements, the UC Davis Trauma program determined through direct observation and reporting documentation that each agency had completed the contracted scope of work in satisfactory manner. Full reporting of all subcontractor work was included in the OP0708 Executive Summary document (pg 3-7) submitted to OTS by UC Davis in October, 2008. During the course of the recent DOF audit, numerous documents were submitted to the Department of Finance that substantiated the completion of the scope of work by the subcontractors. In addition to subcontractor invoices that included itemized personnel time, the following documents were submitted to DOF during the audit to substantiate personnel time charged to the subcontract that supported the grant scope of work.

- Signed training rosters for the Safe Kids Worldwide Child Passenger Safety Technician Certification Class that demonstrate 40 hours of class attendance by 18 subcontractor staff members, as required by the subcontracted scope of work (**Attachment F**).
- A signed training roster for Heads Up on Head Injury that demonstrates 4 hours of class attendance by 19 subcontractor staff members as required by the subcontracted scope of work (**Attachment G**).
- Signed car seat inspection forms completed by subcontracting agencies (Due to the large number of documents, these have not been included as an attachment, but are available upon request).

Although some of the documents requested during the course of the audit related to subcontractor costs were not available, UC Davis believes the documentation described above provides sufficient evidence that the subcontractors performed in accordance with their agreements. Therefore the questioned subcontractor costs should be allowed.

Please incorporate the information provided above in response to the draft report into the final audit report. Please let us know if there are any questions or if any additional information is required.

Sincerely,

Original signed by:

Kathleen Mass, Associate Accounting Officer
Extramural Funds Accounting
UC Davis Accounting and Financial Services

Christy Adams
Trauma Prevention Program Coordinator
UC Davis Health Systems

Enclosures: Attachments A-G

cc: Ahmad Hakim-Elahi, Director, UC Davis Sponsored Programs
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Patty Roth, Auditor, Department of Finance

EVALUATION OF RESPONSE

We reviewed the Center's December 9, 2010 response which is incorporated into the final report. Attachments referenced in the response have been reviewed, but omitted from the final report in the interest of brevity. The Center's response provides additional information in support of the questioned costs reported in our November 10, 2010 draft report as follows:

- Personnel costs—\$7,015
- Indirect costs—\$1,052
- Subcontractor costs—\$67,750

After analysis of the additional information, Finance revised the questioned costs to eliminate the personnel costs and the indirect costs from the amounts questioned. As a result, the total questioned costs decreased from \$75,817 to \$67,750. The final report reflects this revision.

With respect to the questioned subcontractor costs (\$67,750) the Center response asserts that the questioned costs should be allowed because the subcontractor activity reports, training rosters, and inspection forms constitute sufficient evidence that the subcontractor performed in accordance with their agreements.

However, the Center Subcontractor Agreement, *Records and Audits* section, states "the subcontractor shall maintain books, records, documents, other evidence, and accounting procedures and practices sufficient to reflect properly all direct and indirect costs incurred in the performance of the agreement. Additionally, all such records and subcontractor facilities are subject to inspection and audit by OTS."

The Center did not provide timesheets and subcontractors' staff hourly cost as evidence of subcontractor personnel costs. In addition, the Center did not provide invoices/receipts for printing and supplies cost incurred. Consequently, the questioned subcontractor costs of \$67,750 remain unsupported.