



Transmitted via e-mail

September 30, 2014

Mr. Robert Nelson, Assistant Director of Administration
Office of Traffic Safety
2208 Kausen Drive, Suite 300
Elk Grove, CA 95758

Dear Mr. Nelson:

Final Report—Los Angeles Housing and Community Investment Department, Traffic Safety Grant Audit

The Department of Finance, Office of State Audits and Evaluations, has completed its audit of the Los Angeles Housing and Community Investment Department's (Department) Traffic Safety grant OP1002.

The enclosed report is for your information and use. The Department's response to the report observation is incorporated into this final report. The Department agreed with our observation and we appreciate its willingness to implement corrective action. This report will be placed on our website.

We appreciate the assistance and cooperation of the Department. If you have any questions regarding this report, please contact Frances Parmelee, Manager, or Robert Scott, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

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

Enclosure

cc: Ms. Karen Coyle, Operations Coordinator, Office of Traffic Safety
Ms. Trina Nguyen, Associate Accounting Analyst, Office of Traffic Safety
Mr. Rushmore Cervantes, Interim General Manager, Los Angeles Housing and Community Investment Department
Ms. Luz Santiago, Assistant General Manager, Los Angeles Housing and Community Investment Department
Mr. Manuel Chavez, Assistant General Manager, Los Angeles Housing and Community Investment Department
Ms. Catherine Bondoc, Director, Financial Management Division, Los Angeles Economic Workforce Development Department

Los Angeles Housing and
Community Investment Department
Child Safety Program
Grant Agreement OP1002



Source: Los Angeles Housing and Community Investment Department

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

MEMBERS OF THE TEAM

Frances Parmelee, CPA
Manager

Robert Scott, MSA, CPA, CGMA
Supervisor

Staff
Kweku Atta-Mensah

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

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 Los Angeles Housing and Community Investment Department (Department) received a \$750,000 grant from OTS to implement a Child Safety Program. The Department will provide educational classes to parents on the correct use of child safety seats, helmets, and bicycle safety. Child safety checkups and bicycle rodeos will be conducted, and child safety seats and helmets will be distributed.²

SCOPE

In accordance with an interagency agreement, the Department of Finance, Office of State Audits and Evaluations, audited grant agreement OP1002 for the period October 1, 2009 through September 30, 2010.

The audit objectives were to determine whether the Department's grant expenditures claimed were in compliance with applicable laws, regulations, and grant requirements; and to determine whether the grant objectives were completed as required. We did not assess the efficiency or effectiveness of program operations.

The Department'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 objectives 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 agreement, and applicable policies and procedures.

¹ Excerpts from www.OTS.ca.gov.

² Excerpts from grant agreement OP1002.

- Reviewed the Department's accounting records, invoices, and payroll 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 for reimbursement under the grant agreement.
- Determined whether a sample of grant objectives was completed by reviewing supporting documentation.

We conducted this audit in accordance with generally accepted government performance 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 below, the grant expenditures claimed complied with the grant agreement requirements. Additionally, the grant objectives were completed as specified in the grant agreement. The Schedule of Claimed and Questioned Amounts is presented below.

Schedule of Claimed and Questioned Amounts

Grant Agreement OP1002		
Category	Claimed ¹	Questioned
Personnel Costs	\$ 298,801	\$ 0
Travel Expense	8,984	0
Contractual Services	59,000	0
Other Direct Costs	187,927	2,229
Indirect costs	11,781	0
Total Expenditures	\$ 566,493	\$ 2,229

Observation 1: Unsupported Claimed Costs

The Los Angeles Housing and Community Investment Department (Department) claimed \$2,229 of Other Direct Costs in excess of actual expenditures incurred. Variances existed between the amounts claimed, the amounts recorded in the Department's accounting records, and the supporting documentation made available to us, such as invoices and payment records. Unsupported claimed costs are considered ineligible for reimbursement.

The Office of Traffic Safety (OTS) Grant Manual, chapter 4.4.5, specifically states purchases or the procurement of services not requiring contractual agreements must be adequately supported by proper documentation and authorization.

Recommendations:

- A. Remit \$2,229 to OTS. OTS will make the final determination regarding disposition of the questioned costs.
- B. For future OTS grants, ensure all claimed costs are accurate, adequately supported and in compliance with the grant agreement.

¹ OTS awarded \$750,000 and the Department claimed \$566,493.



Eric Garcetti, Mayor
Rushmore D. Cervantes, General Manager

September 3, 2014

Mr. Richard R. Sierra, CPA
Chief
Office of State Audits and Evaluations
915 L Street, 6th Floor
Sacramento, CA 95814

RE: DRAFT REPORT – LOS ANGELES HOUSING AND COMMUNITY INVESTMENT DEPARTMENT (HCIDLA) RESPONSE RE: TRAFFIC AND SAFETY GRANT NO. OP-1002

This is in response to your letter dated August 19, 2014, requesting HCIDLA's management response and corrective actions relative to the audit of the Traffic and Safety Grant No. OP-1002.

Observation 1: Unsupported Claimed Costs

HCIDLA claimed \$2,229 of Other Direct Costs in excess of actual expenditures incurred. Variance existed between the amounts claimed, the amounts recorded in the HCIDLA's accounting records, and the supporting documentation made available to us, such as invoices and payment records. Unsupported claimed costs are considered ineligible for reimbursement. The Office of Traffic and Safety (OTS) Grant Manual, Chapter 4.4.5 specifically states purchases or the procurement of services not requiring contractual agreements must be adequately supported by proper documentation and authorization.

Recommendations:

- A. Remit \$2,229 to OTS. OTS will make the final determination regarding disposition of the questioned costs.
- B. For future OTS grants, ensure all claimed costs are accurate, adequately supported and in compliance with the grant agreement.

Management Response:

HCIDLA agrees with the OTS finding that the amount claimed of Other Direct Costs was in excess of actual expenditures. This was due primarily to including accruals in the claims which did not materialize.

Corrective Actions:

HCIDLA will remit \$2,229 under separate cover. In addition, future claims made to the OTS grantor will not include accruals.

Draft Report – HCID Audit Response to OTS
September 2, 2014
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If you have any questions regarding our response, please contact Sonia Garcia of my staff at (213) 744-7319.

Sincerely,

ORIGINAL SIGNED BY

RUSHMORE D. CERVANTES
General Manager

cc: Robert Nelson, Assistant Director of Administration, OTS
Karen Coyle, Operations Coordinator, OTS
Trina Nguyen, Associate Accounting Analyst, OTS
Luz Santiago, AGM, HCID
Manuel Chavez, AGM, HCID
Lyndon Salvador, Director of Accounting, HCID
Catherine Bondoc, Director of Accounting, Economic Workforce Development Department