



DEPARTMENT OF  
**FINANCE**

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Transmitted via e-mail

April 11, 2011

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—San Francisco Municipal Transportation Agency, Traffic Safety Grant Audit**

The Department of Finance, Office of State Audits and Evaluations (Finance), has completed its audit of the San Francisco Municipal Transportation Agency's (SFMTA) School Area: Bicycle, Pedestrian, and Traffic Safety grant agreement PS0705 for the period March 1, 2007 through June 30, 2009.

The enclosed report is for your information and use. The SFMTA's response to the report finding is incorporated into this final report. The SFMTA agreed with our observations and we appreciate its willingness to implement corrective actions. The observations in our report are intended to assist management in improving its program.

This 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 SFMTA staff. 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: On following page

cc: Ms. Deborah Hrepich, Associate Accounting Analyst, Office of Traffic Safety  
Ms. Lisa Dixon, Regional Coordinator, Office of Traffic Safety  
Mr. Nathaniel P. Ford, Sr., Executive Director/CEO, San Francisco Municipal  
Transportation Agency  
Ms. Sonali Bose, Chief Financial Officer/Director of Finance and Information Technology,  
San Francisco Municipal Transportation Agency  
Mr. Bond Yee, Interim Director of Sustainable Streets, San Francisco Municipal Transportation  
Agency  
Ms. Bridget Smith, Senior Transportation Engineer, San Francisco Municipal Transportation  
Agency  
Ms. Jessica Manzi, Manager of Project Development, San Francisco Municipal  
Transportation Agency  
Mr. Nick Carr, Transit Planner III, San Francisco Municipal Transportation Agency

A GRANT AUDIT

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San Francisco Municipal Transportation Agency  
School Area: Bicycle, Pedestrian, and  
Traffic Safety Program  
Grant Agreement PS0705

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

**MEMBERS OF THE TEAM**

Kimberly Tarvin, CPA  
Manager

Rick Cervantes, CPA  
Supervisor

Staff  
Bryan Nguyen

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  
300 Capitol Mall, Suite 801  
Sacramento, CA 95814  
(916) 322-2985

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# BACKGROUND, SCOPE, AND METHODOLOGY

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## 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 San Francisco Municipal Transportation Agency (SFMTA) received a grant from OTS to improve traffic safety for students through education and enforcement, improve driver behavior, and increase the number of students walking and bicycling to school. The Middle School Bicycle Safety component included a bicycle safety education curriculum in the after-school programs at eight public middle schools in San Francisco.

## 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>Awarded</u>
PS0705	March 1, 2007 through June 30, 2009	\$ 304,596

The audit objective was to determine whether SFMTA'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.

SFMTA 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 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 SFMTA'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 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 June 2010 through March 2011.

This 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, SFMTA's 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**

<b>Grant Agreement PS0705</b>			
<b>For the Period March 1, 2007 through June 30, 2009</b>			
<b>Category</b>	<b>Claimed</b>	<b>Audited</b>	<b>Questioned</b>
Personnel Costs	\$ 28,511	\$ 28,511	\$ 0
Travel Expenses	2,243	2,243	0
Contractual Services	211,547	148,365	63,182
Other Direct Costs	4,138	4,138	0
Indirect Costs	3,670	3,670	0
<b>Total Expenditures</b>	<b>\$250,109</b>	<b>\$186,927</b>	<b>\$ 63,182</b>

**Observation 1: Unsupported Subcontractor Costs of \$63,182**

Contractual costs of \$63,182 are not eligible for reimbursement as follows:

- For \$59,154 in subcontractor personnel costs claimed, SFMTA did not provide timesheets or subcontractor deliverables. The OTS Grant Program Manual, section 4.4.1 states the distribution of costs to OTS grants must be supported by personnel activity reports. During the audit, SFMTA reimbursed OTS \$29,154 of the contractual costs identified as ineligible for reimbursement.
- Personnel costs claimed totaling \$4,028 by a second level subcontractor were not authorized for reimbursement in the approved subcontract budget. The OTS Grant Manual, section 4.4.3 states payments on contractual agreements must be made in accordance with the terms of the agreement.

**Recommendations:**

- A. Remit \$34,028 (\$63,182 - \$29,154) to OTS. OTS will make the final determination regarding recovery.
- B. For future grants, require adequate supporting documentation from subcontractors prior to processing payments to ensure all costs claimed are supported and eligible for reimbursement.



Edwin M. Lee | Mayor

Tom Nolan | Chairman

Jerry Lee | Vice-Chairman

Cameron Beach | Director

Leona Bridges | Director

Cheryl Brinkman | Director

Malcolm Heinicke | Director

Bruce Oka | Director

Nathaniel P Ford Sr | Executive Director/CEO

March 24, 2011

Mr. David Botelho, CPA  
Chief, Office of State Audits and Examinations  
Department of Finance  
915 L Street  
Sacramento, CA 95814

Subject: Response to Recommendations in Draft Audit Report of Grant Agreement  
PS0705

Dear Mr. Botelho:

This letter is in response to the recommendation contained in the draft audit report for Grant Agreement PS0705 – The San Francisco Municipal Transportation Agency (SFMTA) School Area: Bicycle, Pedestrian and Traffic Safety Program.

The SFMTA concurs with the recommendations in the draft report. We have discussed these findings with the relevant SFMTA staff to ensure that the issues identified are addressed immediately.

As noted in the draft report, the SFMTA has previously reimbursed the Office of Traffic Safety (OTS) \$29,154 for payments to the San Francisco YMCA under a subcontract with that agency.

Work performed by an SFMTA subcontractor, the San Francisco Unified School District (SFUSD) was billed and paid using the City's internal accounting system for work orders. The system did not require detailed documentation prior to payment. There was an understanding that documentation would be provided when requested. Unfortunately the SFUSD has been unable to comply with the SFMTA's request in a timely manner. A criminal investigation involving SFUSD personnel and finances sealed records as part of the investigation, which unfortunately included the records needed by the SFMTA. Documents were recently returned to SFUSD staff in boxes, but as a result of staff shortages they have not been able to sort through the extremely large volume of paper to find the timesheets requested. The SFMTA is currently evaluating existing procedures and documentation related to the use of the City's work order system, and will implement the necessary changes.

March 24, 2011  
Mr. David Botelho, CPA  
Chief, Office of State Audits and Examinations

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The SFMTA agrees that the \$4,028 payment to the Bicycle Coalition was not an authorized use of funds under the terms of the grant agreement. The SFMTA will perform an additional level of review prior to submitting claims in the future to ensure accuracy.

We appreciate the professionalism and courtesy of Department of Finance, and specifically the auditor Mr. Bryan Nguyen, in dealing with SFMTA staff.

Please contact me at 415.701.4617 if you need any additional information.

Sincerely,

Original signed by:

Sonali Bose  
CFO/ Director of Finance & Information Technology