



Transmitted via e-mail

May 4, 2016

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—City of Clovis, Traffic Safety Grant Audit

The Department of Finance, Office of State Audits and Evaluations, has completed its audit of the City of Clovis' (City) grant AL0976, issued by the California Office of Traffic Safety.

The enclosed report is for your information and use. The City's response to the report findings and our evaluation of the response are incorporated into this final report. This report will be placed on our website.

We appreciate the assistance and cooperation of City. 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:

David Botelho, CPA
Program Budget Manager
Administration, Audits and Information Services
Department of Finance
Enclosure

cc: Ms. Karen Coyle, Assistant Director of Operations, Office of Traffic Safety
Mr. Mitch Zehnder, Regional Coordinator, Office of Traffic Safety
Ms. Trina Nguyen, Associate Accounting Analyst, Office of Traffic Safety
Mr. Mathew Basgall, Chief of Police, City of Clovis
Ms. Jamie Hughson, Finance Director, City of Clovis

AUDIT REPORT

City of Clovis Avoid the 21 DUI Campaign Grant Agreement AL0976

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'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 Clovis Police Department (Clovis), serving as the host agency for a regional Driving-Under-the-Influence (DUI) effort in Fresno and Madera Counties, received a \$638,751 grant from OTS to reduce alcohol-involved fatalities and injuries, and to raise general public awareness regarding the problem associated with drinking and driving. Participating agencies include police departments (allied agencies) from the cities of Chowchilla, Clovis, Coalinga, Firebaugh, Fowler, Fresno, Huron, Kerman, Kingsbury, Madera, Parlier, Reedley, Sanger, and Selma; Fresno and Madera County Probation Departments; the California State University Police Department; and the California Highway Patrol. The activities include DUI check points, DUI saturation patrols, DUI Task Force Operations and Court Sting operations for repeat DUI offenders during the Memorial Day and Fourth of July weekends, Labor Day and Winter Holiday Mobilizations, and designated special events with identified DUI problems.²

SCOPE

In accordance with an interagency agreement, the Department of Finance, Office of State Audits and Evaluations, audited grant agreement AL0976 for the period October 1, 2008 through September 30, 2011.

The audit objectives were to determine whether 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.

Clovis' 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 AL0976.

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:

- Examined the grant files; reviewed the grant agreement, and applicable policies and procedures.
- Reviewed Clovis' accounting records, contractor invoices, and payroll documents.
- 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.
- Evaluated whether a sample of grant objectives were met by reviewing press releases, overtime slips, timekeeping records, payroll registers, and unit rosters.

In conducting our audit, we obtained an understanding of Clovis' internal controls including any information systems controls that we considered significant within the context of our audit objectives. We assessed whether those controls were properly designed and implemented. Any deficiencies in internal control that were identified during our audit and determined to be significant within the context of our audit objectives are included in this report.

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.

Claimed grant expenditures totaling \$180,450 did not comply with the grant agreement requirements. In addition, two grant sub-objectives were not fully met. The Schedule of Claimed and Questioned Amounts is presented below.

Schedule of Claimed and Questioned Amounts

Category	Claimed ¹	Questioned
Personnel Costs	\$126,412	\$ 8,777
Travel Expense	3,000	0
Contractual Services	466,795	171,673
Other Direct Costs	30,305	0
Total Expenditures	\$626,512	\$180,450

Finding 1: Unsupported and Ineligible Personnel Costs

Based on our testing, the Clovis Police Department (Clovis) and the allied agencies² claimed and were reimbursed \$180,450 in unsupported and ineligible personnel costs.³ For 4 of the 12 claims submitted for reimbursement, the evidence made available to us could not provide reasonable assurance that personnel costs were allowable, grant-related, supported by accounting records, and properly recorded.

Clovis' Personnel Costs

Of the \$61,746 personnel costs tested, we identified \$8,777 of questioned costs. Sufficient evidence was not made available to show claimed costs were incurred, grant related, and allowable. Specifically:

- **Unsupported Costs:** Claimed costs totaling \$5,703 could not be traced to signed timesheets, payroll registers, activity logs, or unit rosters. Further, \$4,933 of the costs was unrelated to this grant. The Office of Traffic Safety (OTS) Grant Program Manual (Manual), which is referenced in the grant agreement, states that in order for costs to be eligible for reimbursement, they must be adequately documented. Section 4.4.1 of the Manual also states personnel costs must be based on documented payrolls and approved by a responsible official for the agency.
- **Ineligible Costs:** Claimed costs totaling \$3,073 were questioned because the claimed salary rates exceeded the maximum budgeted rates stated in the grant agreement.

¹ OTS awarded \$638,751 and Clovis claimed \$626,512.

² Refer to the Background section for a listing of the allied agencies.

³ For the allied agencies, personnel cost is a sub-budget line item under the category "Contractual Services".

Allied Agencies' Personnel Costs

As required by Manual sections 5.4(2)(e)(5) and 5.4(2)(e)(6), Clovis is responsible for performing reviews and reconciliations of supporting documentation and maintaining such documentation for future audits. Clovis entered into Memorandums of Understanding requiring each allied agency to provide documentation, such as timesheets, to support its claims.

At the time of our fieldwork, the documentation submitted by the allied agencies greatly varied in levels of detail or was not available. Additionally, evidence demonstrating Clovis performed reviews and reconciliations of the submitted documentation was not made available. We provided Clovis the opportunity to request the allied agencies submit the necessary supporting documentation. Of the \$322,006 personnel costs tested, we identified \$171,673 of questioned costs. Specifically:

- **Unsupported Costs:** Claimed costs totaling \$160,327 lacked an adequate audit trail to demonstrate costs were incurred, grant-related, supported by accounting records, and properly recorded.
- **Ineligible Costs:** Claimed costs totaling \$11,346 are ineligible for the following reasons:
 - Three reimbursement claims included \$9,688 of costs for the same personnel working on the same activity for the same time period.
 - Three reimbursement claims included \$1,548 of costs based on the overtime rate; however, those costs were paid based on the regular time rate which is less than the overtime rate. Manual section 5.4.2(b) requires that the claim detail include actual costs.
 - One reimbursement claim included \$110 of costs that was not supported by the timesheet. The hours claimed was greater than what was reflected on the timesheet.

As the host agency, Clovis is responsible for exercising appropriate fiscal controls over grant funds. Maintaining supporting documentation and performing reviews and reconciliations of the claims are critical to ensure compliance with grant provisions.

Recommendations:

- A. Remit \$180,450 to OTS.
- B. Clovis should ensure a clear audit trail is maintained for all claimed costs. The audit trail should facilitate the tracing of costs claimed on payment requests to accounting records and supporting source documents. Bridging documents should be developed to reconcile accounting system and support document information with the payment request.
- C. Improve fiscal controls over allied agencies to reduce the risk of non-compliance and questioned costs by performing reviews and reconciliations of all claims.

Finding 2: Project Objectives Not Fully Met

Clovis did not fully accomplish project objectives as required by the grant agreement. As presented below, we selected four project objectives to test and determined two of the four project objectives were adequately supported. The other two objectives were not supported with sufficient evidence, such as timesheets or unit rosters.

Clovis did not provide a reason for the inconsistent audit trail. As a result, Clovis could not provide assurance that all the project objectives were fully met. Failure to meet the objectives may result in withholding or disallowance of grant reimbursements, the reduction or termination of grant funding, or denial of future grant funding.

Schedule of Project Objectives Tested

PER GRANT AGREEMENT		AUDIT RESULTS	
Project Objective	Description	Results	Objective Met
2.c	1 DUI/DL ⁴ checkpoints during each Independence Day holiday weekend during July 2009, July 2010, and July 2011.	3 of the required 3 DUI/DL checkpoints were conducted.	Yes
2.d	3 DUI/DL checkpoints during each Summer Mobilization of mid-August through the Labor Day weekend of 2009, 2010, and 2011.	4 of the required 9 DUI/DL checkpoints were conducted.	Partially
3.c	6 DUI saturation patrols during each Independence Day holiday weekend during July 2009, July 2010, and July 2011.	12 of the required 18 saturation patrols were conducted.	Partially
3.d	11 saturation patrols during each Summer Mobilization of mid-August through the Labor Day weekend of 2009, 2010, and 2011.	97 of the required 33 saturation patrols were conducted.	Exceeded requirement

Recommendation:

Effectively plan and monitor grant activities and implement procedures to ensure adequate supporting documentation is retained. Corrective actions will ensure objectives are fully met.

⁴ Driving Under the Influence (DUI) and Driver's License (DL).



CITY OF CLOVIS

CITY HALL • 1033 FIFTH STREET • CLOVIS, CA 93612

March 31, 2016

Robert L. Scott, MSA, CPA, CGMA
Office of State Audits and Evaluations
California Department of Finance
915 L Street
Sacramento, California 95814

Re: City of Clovis Office of Traffic Safety (OTS) Grant Audit – Grant No. AL0976
(October 2008-September 2011)

Dear Mr. Scott,

City of Clovis Request:

The City of Clovis requests that this official response to the California Department of Finance's (DOF) audit results for the above grant be included, in their entirety, in any and all postings or publications of the final report. Also included as part of the City of Clovis' official response are the OTS Performance Review Letter dated January 19, 2010 and the OTS Commendation Letter dated January 28, 2010.

Finding 1: Questioned Personnel Costs

The DOF claims that the evidence made available to them could not provide reasonable assurance personnel costs were allowable, grant-related, supported by accounting records, and properly recorded.

(1) Clovis' Personnel Costs

Regarding the DOF comment that \$8,777 of the \$61,746 of Clovis' personnel costs tested were questioned.

City of Clovis response: The City of Clovis recognizes that adequate support for \$5,703 was unavailable when requested over a year after fieldwork and also that \$3,073 was found to be ineligible under the grant.

(2) *Allied Agencies' Personnel Costs*

The DOF asserts that of the \$322,006 of Allied Agencies' personnel costs tested \$171,673 are questioned but a specific term or condition violation of the grant agreement is not provided except to generally say the "claimed costs lacked an adequate audit trail to demonstrate costs were incurred, grant-related, supported by accounting records, and properly recorded."

City of Clovis response: Regarding the DOF assertion that \$160,327 of Allied Agencies personnel costs are unsupported costs, the City of Clovis believes that the nature and volume of the supporting documentation provided to the auditors meets the tests of reasonable sufficiency and appropriateness contained in generally accepted government auditing standards.

Additionally, the field auditor did not communicate the extent to which questioned costs were being asserted during the field work or exit conference. We suggest that this departure from Section 6.79 of *Government Auditing Standards* is what has necessitated submission of numerous duplicative items of documentation and the protracted process in which we have been engaged.

Specifically, in regards to DOF's assertion these costs are unsupported; The City contends that the documentation provided during fieldwork and later supplemented with additional supporting documentation met the reasonable sufficiency test. Although these records were initially made available at the time of fieldwork and/or the exit conference, the request for these records was made over a year after the fieldwork/exit conference was conducted. This significant delay in communication made it difficult to obtain every layer of supporting documentation requested especially when the DOF auditors did not specify at the exit interview that any open items were needed.

Regarding the \$11,346 of ineligible costs, while reviewing the documentation provided to the auditors during fieldwork the City of Clovis recognized that \$11,346 of the \$322,006 tested was not eligible for reimbursement on the grant.

Clovis believes it provided appropriate fiscal controls over grant funds which is indicated by the fact that the overwhelming amounts reimbursed on the grant were found eligible and had sufficient supporting documentation. While the City of Clovis has improved the maintenance of allied agencies accounting records since initially receiving the grant the City believes the review of invoices submitted and payment on those invoices to the allied agencies provided fiscal oversight over grant funds expended for the grant activities performed by the allied agencies.

Recommendations for Finding 1: Questioned Personnel Costs and Clovis' Responses

- A. Remit \$180,450 to Office of Traffic Safety (OTS) (grantor).
- City of Clovis response: Upon finalization of report the City will contact OTS to either remit \$11,346 or offset a future reimbursement by that same amount.
- B. Improve the maintenance of allied agencies' records.
- City of Clovis response: The City now maintains allied agencies records in-house in accordance with the City's record retention policy.
- C. Improve fiscal controls over allied agencies to reduce the risk of non-compliance.
- City of Clovis response: The City continues to review allied agencies expenditures for compliance.

Finding 2: Project Objectives Not Fully Met

The DOF asserts that since sufficient evidence such as timesheets or unit rosters were not available to support project objectives, that these objectives were not performed.

City of Clovis response: Additional supporting documents were requested a year after the exit conference was conducted. Due to this protracted process and lack of communication on the part of the field auditor during fieldwork, there are some instances where the detailed records were no longer available. Yet, the nature and volume of supporting documents provided met the test of reasonable sufficiency and appropriateness and included payroll records/registers, general ledgers, and substantiation for contractual payments.

The DOF also asserts that Clovis did not provide a reason for the inconsistent audit trail.

City of Clovis response: Clovis was not informed at the time of field work that the auditors found inconsistencies in the audit trail. As a result of not communicating that this issue was observed, the City could not provide a reason to refute the observation.

Recommendations for Finding 2: Project Objectives Not Fully Met -Status of Recommendations

- A. Effectively plan and monitor the grant activities to ensure objectives are fully met.
- City of Clovis response: Clovis currently monitors allied agencies activities (DUI checkpoints) to ensure grant objectives are fully met. This is evident in the letter of commendation from OTS that resulted from the performance audit performed. This letter is attached.
- B. Implement procedures to ensure adequate supporting documentation is retained to demonstrate the required objective were met.
- City of Clovis response: The City currently maintains allied agencies detailed records in-house in accordance the City's record retention policy.

Conclusion

The City of Clovis strives to perform to the highest standards in all aspects of public duties. We continue to improve as challenges are identified. The City of Clovis recognizes \$20,123 (\$8,777 of Clovis Personnel Costs and \$11,346 of Allied Agencies Costs) were charged in error, however the remaining \$160,327 were allowable and adequately supported at the time of the audit in accordance with the grant requirements. Clovis believes we properly performed our duties to meet the objectives of the grant to provide DUI checkpoints in Clovis, as well as provided support to allied agencies in their performance of grant related activities (DUI checkpoints in their communities). We also believe that appropriate oversight was exercised over the expenditure of grant funds in order to meet the objectives of the grant. Clovis already implemented additional procedures to better maintain supporting documents from allied agencies. Clovis realizes that the DOF auditor assigned to this audit had difficulties understanding the documentation provided during fieldwork and was unable to effectively communicate his lack of understanding in a timely manner. Clovis hopes that the DOF will recognize its challenges and improve communications between auditor and auditee for future audits.

Sincerely,

Original Signed by,

Jamie G. Hughson, CPA, MPA, CPFO
Finance Director

Cc: Matt Basgall, Chief of Police
Jay Schengel, Assistant Finance Director
Mike Casida, Police Captain
Calli Biaggi, Management Analyst
Susan Evans, Senior Accountant
Sandi Macy, Principal Office Assistant

EVALUATION OF RESPONSE

The City of Clovis' (City) response to the draft report has been reviewed and incorporated into the final report. In the interest of brevity, the Letter of Commendation and the Grantee Performance Review Letter attached with the City's response were omitted. In evaluating the City's response, the City agreed the City's personnel costs and some allied agencies' personnel costs were ineligible. However, the City generally disagreed with our findings.

The City makes references to the results of the Office of Traffic Safety's (OTS) Grantee Performance Review. Although we considered this review while conducting our audit, this review is a result of OTS' grant monitoring activities to ensure compliance with federal guidelines as defined in the Office of Management and Budget Circular (A-133). OTS conducted the review one year after the grant start date while our audit period covered the entire three year grant period.

To increase oversight over federal funds, OTS requested the Department of Finance, Office of State Audits and Evaluations, to conduct an audit in accordance with generally accepted government auditing standards. These 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. In addition, these standards require that we communicate our findings. Throughout our audit process, we communicated our results in various ways: through emails, informal update meetings, and a formal exit conference.

As noted in the response, the City states they now maintain allied agencies' records in-house in accordance with the City's record retention policy. During this audit, the records were maintained at the individual allied agency which posed challenges in obtaining sufficient, appropriate evidence. As stated in Finding 1, each individual allied agency maintained its own records in accordance with its own record retention policy and the types of supporting documentation maintained by each allied agency varied.

During our fieldwork, the City was provided many opportunities to submit documentation to support the claimed costs for allied agencies' personnel costs. Prior to the issuance of the draft report, the City submitted additional documentation for our consideration which we reviewed and accepted. While the additional documentation supported some of the claimed costs, \$160,327 of claimed costs are still unsupported. As a result, our findings remain unchanged.

We acknowledge the City's efforts to improve its fiscal management of federal funds.