



September 4, 2009

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

Dear Ms. Meadows:

**Final Report—Los Angeles County Department of Public Health, Office of Traffic Safety
Grant Audit**

The Department of Finance, Office of State Audits and Evaluations (Finance), has completed its audit of the Los Angeles County Department of Public Health's (County) Grant Agreement OP0707 for the period October 1, 2006 through September 30, 2008.

The enclosed report is for your information and use. The County's response to the report findings and our evaluation of the response are incorporated into this final report. The draft report was issued June 25, 2009, and the County's response to the draft report required further analysis. As a result of our analysis, changes were made to Observation 2 to provide further clarification

In accordance with Finance's policy of increased transparency, the final report will be placed on our website. We appreciate the assistance and cooperation of the County's staff. 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: On following page

cc: Ms. Deborah Hrepich, Associate Accounting Analyst, Office of Traffic Safety
Dr. Jonathan E. Fielding, Director of Public Health and Health Officer, Department of Public Health, Los Angeles County
Dr. Patti Culross, Director, Injury and Violence Prevention Program, Department of Public Health, Los Angeles County
Mr. Jonathan E. Freedman, Chief Deputy Director, Department of Public Health, Los Angeles County
Mr. Jeremy D. Cortez, Chief Financial Officer, Department of Public Health, Los Angeles County
Mr. Paul Simon, Director, Division of Chronic Disease and Injury Prevention, Department of Public Health, Los Angeles County,
Mr. Miles Yokota, Administrative Deputy, Department of Public Health, Los Angeles County
Mr. Raymond Low, Division Chief, Audits and Investigations, Department of Public Health, Los Angeles County

A GRANT AUDIT

Los Angeles County
Department of Public Health
Grant Agreement OP0707

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

MEMBERS OF THE TEAM

Kimberly Tarvin, CPA
Manager

Alma Ramirez, 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

TABLE OF CONTENTS

A Grant Audit	1
Results	3
Response.....	6
Evaluation of Response.....	11

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. The OTS allocates funds to local government agencies to implement these programs via grant awards.

The Los Angeles County, Department of Public Health (County) received a grant from the OTS to increase the number of teens wearing seatbelts and reduce the fatality and injury rate among teens in traffic collisions through education, seatbelt surveillance, a compliance-incentive campaign, a journalism component, parent outreach, a road rally, as well as media and promotions.

SCOPE

In accordance with an interagency agreement, the Department of Finance, Office of State Audits and Evaluations, conducted an audit of the County's OTS grant listed below.

<u>Grant Agreement</u>	<u>Audit Period</u>	<u>Awarded</u>
OP0707	October 1, 2006 to September 30, 2008	\$889,707

The audit objective was to determine whether the County'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 internal controls. We did not assess the efficiency or effectiveness of program operations.

The County is responsible for ensuring accurate financial reporting and compliance with applicable laws, regulations, and grant requirements. The OTS is responsible for evaluating the efficiency and effectiveness of program operations.

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 County'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 OTS grants
- 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 County staff. The audit was conducted from January 2009 through May 2009.

We conducted our audit 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.

The County's expenditures were not expended in compliance with applicable laws, regulations, and the grant requirements. The claimed, audited, and questioned amounts are presented in Table 1. Additionally, two observations were identified as reported below.

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

Grant Agreement OP0707 For the Period October 1, 2006 through September 30, 2008			
Categories	Claimed	Audited	Questioned
Personnel	\$ 14,889	\$ 14,889	\$ 0
Contractual Services	760,166	126,705	633,461
Indirect Costs	2,233	2,233	0
Total	\$ 777,288	\$ 143,827	\$ 633,461

Observation 1: The County Claimed \$633,461 in Unsupported and/or Ineligible Subcontractor Costs

Subcontractor costs of \$633,461 were not supported by adequate documentation, and some costs were not eligible for reimbursement as explained below.

- A. Subcontractor personnel costs of \$539,608 were not supported by activity reports documenting the actual time subcontractor staff worked on the grant activities. An e-mail dated January 14, 2009 from the subcontractor to the County indicated that because the subcontractor billed by event, it estimated how much staff time would possibly be used. The subcontractor did not bill the County based on actual costs incurred. Furthermore, the subcontractor could not provide documentation supporting the actual costs incurred related to the grant activities performed.

The OTS Manual, Section 4.4.3, requires payments on a contractual agreement be supported by itemized invoices and made in accordance with the terms of the agreements. Section 6.10 requires contractual agreements with community-based organizations be on a cost-reimbursement basis. In addition, contract language must stipulate a requirement to submit source documentation supporting actual costs billed with the invoice such as itemized receipts, vendor invoices, and timesheets clearly indicating grant time and all other non-grant funded time for which personnel are compensated.

The County's Injury and Violence Prevention Program, Additional Provisions, (incorporated in the subcontractor agreement), Section 10B (6), requires maintenance of personnel records showing the percentage of time worked providing services under the agreement including payroll timekeeping records, signed by the employee and approved

by the employee's supervisors, which show time distribution by programs and the accounting for the total work time on a daily basis.

- B. The subcontractor expended \$30,038 for a Rally for Life Event that was never held. The event was canceled after a survey determined that the event would attract far less than the original target of 1,000 teenage drivers and their parents. However, this should have been evaluated at the beginning of the event planning, not after significant funds were expended. As a result, the state did not receive any benefit for the \$30,038 expended.
- C. Subcontractor equipment costs for a climbing wall and a trailer totaling \$63,815 were not authorized in the grant budget. Additionally, the OTS grant budget indicates specifically that there will not be any purchase of equipment for this project. The OTS Grant Manual, Section 2.3, states that costs must be necessary and reasonable, and authorized in the budget of the grant agreement.

Recommendations:

1. Return \$633,461 in unsupported/ineligible costs to OTS.
2. Develop and implement subcontractor claim review procedures to ensure costs claimed are based on actual costs, adequately supported by accounting records, and expended in accordance with OTS grant terms and conditions for future OTS grants.

Observation 2: The County Did Not Meet the Goals and Objectives Required by the Grant

As presented in Tables 2 and 3 below, the County could not document that it met three of the five goals and five of the nine objectives. The OTS Grant Agreement OP0707 outlines the goals and objectives that were to be accomplished by the County by the end of the grant period. Failure to meet the goals and objectives may result in withholding or disallowance of grant reimbursements, the reduction or termination of grant funding, or denial of future grant funding.

Table 2: Schedule of Goals Not Met

Goal	Description	Results	Not Met	No Data Provided
1	Reduce traffic fatalities among teens between the ages of 12 through 17 by 20 percent from the 2004 base year.	A 54 percent decline was reported as of September 30, 2007, a year prior to the grant end date. No data was provided as of the end of the grant period.		✓
2	Reduce traffic injuries among teens between the ages of 12 and 17 by 33 percent from the 2004 base year.	A 12 percent decline was reported as of September 30, 2007, a year prior to the grant end date. No data was provided as of the end of the grant period.		✓
5	Increase seat belt compliance rate of high school age vehicle occupants by ten percent from the 2004 base year.	A 16 percent increase was reported, but quantitative data to support the increase was not provided.		✓

Table 3: Schedule of Objectives Not Met

Objective	Description	Results	Not Met	No Data Provided
1	Conduct 500 programs at 350 middle and high schools, impacting 200,000 students.	434 programs impacting 99,164 students were reported. Participation of 10,000 students was not supported by school program certifications.	✓	
3	To conduct 350 parent workshops at schools and other sites.	222 workshops were held.	✓	
5	To conduct an event called "Rally for Life" to target 1,000 teenage drivers and their parents.	The event was not held.	✓	
8	Collect and evaluate pre and post program surveys to collect data on age and understanding of traffic safety.	Post program surveys were not conducted.	✓	
9	Coordinate journalism students at 350 schools to participate, observe, conduct interviews, and draft articles for publication in school newspapers.	Only 59 meetings were reported as being held.	✓	

Recommendation: The County should implement procedures to effectively plan the grant activities so that the goals and objectives are met for future grants. Additionally, procedures should be implemented to ensure that adequate supporting documentation is retained to demonstrate that the required goals and objectives were met.

This is a recurring finding from a prior OTS grant audit. Specifically, the goals and objectives for the Community Based Organization Safety First Project, grant agreement CBO213, which ended March 2005, were not met.

The OTS will determine the actions, if any, to take as a result of the unmet goals and objectives.



JONATHAN E. FIELDING, M.D., M.P.H.
Director and Health Officer

JONATHAN E. FREEDMAN
Chief Deputy Director

313 North Figueroa Street, Room 806
Los Angeles, California 90012
TEL (213) 240-8117 • FAX (213) 975-1273

www.publichealth.lacounty.gov

BOARD OF SUPERVISORS

Gloria Molina
First District

Mark Ridley-Thomas
Second District

Zev Yaroslavsky
Third District

Don Knabe
Fourth District

Michael D. Antonovich
Fifth District

August 10, 2009

David Botelho, Chief
Office of State Audits and Evaluations
Department of Finance
915 L Street
Sacramento, CA 95814-3706

**LOS ANGELES COUNTY DEPARTMENT OF PUBLIC HEALTH, OFFICE OF TRAFFIC
SAFETY GRANT AUDIT (Grant Agreement OP 0707)**

Attached is our response to your audit report for the Office of Traffic Safety Grant OP 0707 for teen seatbelt education outreach.

Our team has made substantial efforts in meeting the terms of the Office of Traffic Safety Grant OP 0707 for teen seatbelt education outreach and believe that all work paid for under the terms of the Grant was legitimately performed. As such, we respectfully disagree with your recommendation that \$633,461 be returned to the State Office of Traffic Safety. We included details of our position in our attached response.

Our Department is committed to developing a safe environment for school age children and working with the Office of Traffic Safety has allowed us to pursue our goals of educating the public on traffic safety. We thank you for the opportunity to respond to your report and look forward to continuing our partnership with the State to enhance traffic safety in our communities.

If you have any questions or need additional information, please contact Raymond Low, at (323) 890-7522.

Sincerely,

Original signed by:

Jonathan E. Fielding, M.D., M.P.H.
Director and Health Officer

JEF:rl
11802

DEPARTMENT OF PUBLIC HEALTH OTS GRANT (OP 0707) AUDIT RESPONSE

OBSERVATION 1

The County claimed \$633,461 in unsupported personnel and indirect costs.

Recommendation 1: Return \$633,461 in unsupported/ineligible costs to Office of Traffic Safety (OTS).

DPH Response:

Disagree. While we acknowledge deficiencies in documentation cited in your May 2009 audit report, we disagree with this recommendation for two reasons. First, a substantial amount of the work as specified in the grant agreement was completed and is clearly documented (see Department of Public Health (DPH) response under Observation 2). Second, the accounting practices of the sub-contractor were consistent with the standard of practice enforced by OTS over the more than two decades that the sub-contractor and DPH have received OTS grant funding.

Subcontractor Personnel Costs

OTS has always approved the "cost per unit" budget – this type of budget was always included in proposals submitted to OTS and in the final grant agreements with OTS under the subcontractor section. The Grant Agreement also included a "cost per unit" budget. As recently as May 2009, OTS approved the funding of a proposal from Injury and Violence Prevention Program (IVPP) with the "cost per unit" budget included in the subcontractor section. OTS has never asked the DPH or the subcontractor to revise or alter the budget. Before this audit, OTS had never questioned claims/invoices submitted by the DPH that included costs from this subcontractor.

The subcontractor has partnered with the DPH and other local government agencies to manage OTS projects for over 25 years. The subcontractor's budgeting and recordkeeping practices for personnel and indirect costs were no different for this grant than they have ever been. In 25 years, no one at OTS has ever suggested that the subcontractor's practices might not be supportable in a financial audit. The subcontractor uses a "cost per unit" budget and keeps documentation on the number of actual "units" produced; for example, the number of school programs and the number of parent workshops. Each program or workshop conducted under the terms of this Grant Agreement was certified by a school official, community venue official or a community event representative.

The Rally for Life Event

The Quarterly Performance Reports submitted to OTS included the status of this event and the reason the event was not held (despite considerable promotion, the advance work indicated there would not be sufficient response to justify the cost of the event). Funds for the production of promotional materials were spent and the materials distributed. At no time did OTS question or raise a concern with either the subcontractor or the DPH regarding the cancellation. During one telephone conversation between the subcontractor and Ron Miller, the OTS Regional Coordinator, about the status of the event, he Ron Miller requested that the status be documented in the next Quarterly Performance Report. The status was included in the QPR for July-September 2008.

Equipment

Both the federal regulations and OTS guidelines allow for the purchase of equipment. Though an equipment line item was not present in the original budget included in the grant agreement, subsequent survey work done by the subcontractor indicated that the equipment would be an effective tool for

demonstrating to students the potential lethal effects of motor vehicle collisions. We have documentation that OTS was aware the equipment had been purchased and used on the grant. In addition, OTS paid the invoice that included the equipment costs. The subcontractor has stated that Ron Miller, the OTS Regional Coordinator, attended two public events in 2008 where the rock climbing wall was featured. One event was for media in Los Angeles County and the other event was a meeting in Sacramento with OTS and the National Highway Traffic Safety Administration (NHTSA).

Recommendation 2:

Develop and implement subcontractor claim review procedures to ensure costs claimed are based on actual costs, adequately supported by accounting records, and expended in accordance with OTS grant accounting records, OTS grant terms, and conditions for future OTS grants.

DPH Response:

Agree. DPH will establish written procedures to ensure future OTS grant expenditures are adequately supported with appropriate documentation. Should we receive OTS grant funds in the future, these procedures will be provided to staff managing the grants

OBSERVATION 2

The County did not meet the goals and objectives required by the grant.

Recommendation:

The County should implement procedures to effectively plan the grant activities so that the goals and objectives are met for future grants. Additionally, procedures should be implemented to ensure that adequate supporting documentation is retained to demonstrate that the required goals and objectives were met.

DPH Response:

Agree with the findings except as noted below. Otherwise, the written procedures mentioned above will also include these elements.

Goals #1 & #2

It is not possible to measure progress toward these goals because there are no data sources available that provide county-level mortality and morbidity data in real-time (the data sources lag by several years). OTS is aware that data for the goals cannot reflect real-time traffic-related injuries at the county-level. In an email exchange from 2007, the OTS regional coordinator acknowledged that these types of goals are not suitable for County-Wide projects and are more suitable for "our grant projects with individual cities they have collision data and can report on a quarterly basis." (Ron Miller, communication, 7/3/2007) although OTS required us to include these goals as a condition of funding, an OTS regional coordinator told IVPP to "Keep in mind that we do not hold our grantees accountable for not achieving goals. Goals are hoped-for outcomes resulting from achieving the Objectives." (Ron Miller, communication, 7/3/2007). All email correspondence is available upon request.

Goal #3

Goals #3 and #4 were related and required both pre-and post-program surveys. We provided the survey results to the auditors at the time of the audit and then again on April 3, 2009 when one of the auditors requested them.

Since Goals #3 and #4 were related and would be met by completion of the survey, it is not clear to us how Goal #4 could be met, but Goal #3 not met when surveys were completed. There were three questions on both the pre- and post-program surveys. One question related to Goal #4 ("Is it a California Law that drivers must wear a seat belt?"), and one question related to Goal #3 ("What is the penalty for not wearing a seat belt?"). We believe that the survey documentation is sufficient to confirm that Goal #3 had been met.

Survey analysis data were also provided to the auditors that contained results for both Goals #3 and #4. At baseline (pre-program), 100% of both students and parents surveyed did not know the penalty for violating the seat belt law. At follow-up (post-program), 91% of students and 100% of parents surveyed knew the penalty for violating the seat belt law.

Goal #5

The materials provided to the auditors indicated that pre-program observational surveys found that 46% of middle and high school students wore seat belts. Post-program observational surveys conducted at the schools and youth venues found that seat belt use had increased to 62%, an increase of 16%.

Objectives #1 & #3

For this grant, the activities were delayed by 7 months from the grant start date of October 1, 2006 for two reasons: 1) the grant agreement with OTS was not finalized until January 2007; and 2) the County's process for Board of Supervisors (BOS) approval of grant funds was not completed until May 15, 2007. Grant activities started shortly after BOS approval with the grant objectives remaining the same as originally proposed. It is likely that IVPP staff thought that, as with past OTS grants, funds that were not expended in the first grant year could be rolled over into the second year and that the overall grant period could be extended beyond the planned end date. During this time (2006-2007), OTS stopped the practice of rolling over funds and extending grant periods. In fact, IVPP requested a roll over of funds in the fall of 2007, but was denied by OTS.

Subsequently, the subcontractor's budget was cut by \$115,048.34 (12.8%), but the grant objectives were not modified to reflect the reduced budget. In the end, the subcontractor conducted 434 of the proposed 500 programs (87%) and 222 of the proposed 350 parent workshops (63%) with 87% of the original budget and after missing an entire school year. While only 99,164 of the proposed 200,000 students were reached, the total number of school programs conducted was proportional to the budget.

Objective #8

As noted above, the surveys were done and the results analyzed.

Objective #9

Every attempt was made to coordinate journalism students to conduct interviews and to publish stories regarding the use of seatbelts at each school that participated in the program. However only 59 school newspaper students met with the subcontractor's project coordinators.

EVALUATION OF RESPONSE

The Department of Finance, Office of State Audits and Evaluations, received the Los Angeles County, Department of Public Health (County) response to the draft report. Our evaluation of the response follows:

Observation 1: The County Claimed \$633,461 in Unsupported and/or Ineligible Subcontractor Costs

- A. The County acknowledged deficiencies in documentation, but asserted that a substantial amount of the work was completed and documented, and that the accounting practices of the subcontractor were consistent with the standard of practice (cost per unit) enforced by the Office of Traffic Safety (OTS).

We concur that work related to the grant agreement was performed by the subcontractor, a community-based organization (CBO), and the grant agreement included budgeted costs per unit. However, Section 6.10 of the OTS Manual states that contractual agreements with CBO's be on a cost-reimbursement basis. The County was unable to provide subcontractor documentation demonstrating the actual costs incurred for grant activities. Therefore, the observation remains as originally stated in the audit report.

- B. The County acknowledged the Rally for Life Event was not held. However, the County asserted the funds should not be repaid because expenditures were incurred for the production of promotional materials for the Rally for Life Event, and the materials were distributed. We verified the subcontractor spent \$46,867 in expenditures for promotional materials which were reimbursed separately under other budget line items. The majority of the expenditures claimed under the Rally for Life Event were for consulting services for the solicitation of sponsors and exhibitors for the event. Other items purchased for the Rally for Life Event included a camera and a sound system which were retained by the county. Therefore, the observation remains as originally stated in the audit report.
- C. The County acknowledged that no equipment line item was present in the grant agreement's budget. The grant agreement specifically stated that there would be no equipment purchased for this project. Additionally, Section 2.3 of the OTS Manual states that costs must be necessary and reasonable, and authorized in the grant agreement budget. Therefore, the observation remains as originally stated in the audit report.

Observation 2: The County Did Not Meet the Goals and Objectives Required by the Grant

The County agreed with the finding with the exceptions noted below.

Goals 1 and 2—The County asserts it is not possible to measure progress towards these goals in a timely manner (by the end of the grant term), as the data indicators lag by several years. The OTS and the grantee are responsible for goal setting. Our responsibility is to report on the achievement of the goals agreed to in the grant agreement. Therefore, the observation remains as originally stated in the audit report.

Goals 3, 4, and Objective 8—The County asserted the vehicle for achieving Goals 3 and 4, and Objective 8, were the same pre- and post-program survey. We agree the three-question pre- and post-program quizzes addressed Goal 3 and have revised Observation 2 in the audit report to delete Goal 3 from Table 2. However, for Objective 8 there was a separate 10 question survey for which no post-program results were reported. Therefore the observation remains as originally stated for Objective 8 in the audit report.

Goal 5—The County asserts it provided materials with the results of pre- and post- program observational surveys. We acknowledge receipt of these materials. However, these materials did not include quantitative data (i.e. number of students or vehicles observed) in support of the reported results. Therefore, the observation remains as originally stated in the audit report.

Objectives 1 and 3—The County cites delays in the contracting process and reduction in budgeted grant funds as the reasons for not achieving Objectives 1 and 3. The County asserts the number of school programs and parent workshops conducted were proportional to the revised budget. We acknowledge the cited delays and issues; however, the objectives in the grant agreement were not met. Therefore, the observation remains as originally stated in the audit report.

Objective 9—The County concurs this objective was not met.