



December 9, 2009

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

Dear Ms. Meadows:

**Final Report—San Bernardino County Probation Department, Office of Traffic Safety
Grant Audit**

The Department of Finance, Office of State Audits and Evaluations (Finance), has completed its audit of the San Bernardino County Probation Department's (County) grant agreement AL0698 for the period October 1, 2006 through September 30, 2008.

The audit was performed under an interagency agreement between Finance and the Office of Traffic Safety. The objective of our audit was to determine whether the County complied with applicable laws, regulations, and grant requirements.

The enclosed report is for your information and use. The County's response to the report observations 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 the 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 County. If you have any questions regarding this report, please contact Cheryl Lyon, Manager, or John Rogers, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

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

Enclosure

cc: Mr. Gary Ovitt, Chairman, Board of Supervisors, San Bernardino County
Ms. Michelle Scray, Chief Probation Officer, San Bernardino County Probation Department
Ms. Alice Rivera, Supervising Accounting Technician, Fiscal Services, San Bernardino
County Probation Department
Ms. Deborah Hrepich, Associate Accounting Analyst, Office of Traffic Safety

A GRANT AUDIT

San Bernardino County
Probation Department

Grant Agreement AL0698

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

MEMBERS OF THE TEAM

Kimberly Tarvin, CPA
Manager

John Rogers, CPA
Supervisor

Staff
Dennis Williams

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 (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 San Bernardino County Probation Department (County) received a grant from OTS to create the High Risk Drunk Driving Supervision Program (Program). The Program's goals include reducing drinking and driving among program participants, increasing compliance with court orders, and participation and completion of educational and treatment components.

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>
AL0698	October 1, 2006 to September 30, 2008	\$913,944

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 relevant internal controls. We did not assess the efficiency or effectiveness of program operations.

The County's 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. The 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 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 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 January 2009 through April 2009.

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, the County's grant expenditures were in compliance with applicable laws, regulations, and the grant requirements. The Schedule of 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 AL0698 For the Period October 1, 2006 to September 30, 2008			
Category	Claimed	Audited	Questioned
Personnel	\$ 667,587	\$ 613,587	\$ 54,000
Travel	8,072	8,072	0
Other Direct Costs	51,714	51,714	0
Indirect Costs	66,759	61,359	5,400
Total Expenditures	\$ 794,132	\$ 734,732	\$ 59,400

Observation 1: Unsupported Expenditures

The County claimed and was paid \$59,400 for unsupported personnel expenditures (salary and benefits) and related indirect costs. In the County's payroll system, 100 percent of the Supervising Probation Officer's personnel expenditures were charged to Proposition 36¹. However, the County also charged 25 percent of these expenditures to the OTS grant. The OTS Grant Program Manual, Section 4.4.1 and Federal 2 CFR Part 225, Appendix B, Section 8h(4) states that where employees work on multiple activities or cost objectives, a distribution of their salaries or wages must be supported by personnel activity reports or equivalent documentation. The County could not provide activity reports supporting the 25 percent allocation of the employee's personnel costs to the OTS grant.

Because indirect costs are calculated at 10 percent of salaries and wages expenditures, the questioned personnel costs reduce the amount of allowable indirect costs. The questioned personnel and indirect expenditures are as follows:

Employee Salary Charged to the Grant	\$38,049
Employee Benefits charged to the Grant	<u>15,951</u>
Total Employee Personnel Expenditures	54,000
Indirect Costs (10% X Personnel Expenditures)	<u>5,400</u>
Total Questioned Expenditures	\$59,400

¹ Grant Agreement AL0698 did not include Proposition 36 Funds.

Recommendations:

- A. Establish personnel activity reports or similar documentation to support employee salary and benefits allocated to multiple programs.
- B. Reimburse the OTS \$59,400 for the ineligible costs claimed.

Observation 2: Inadequate Accounting System

The County does not adequately separate grant expenditures within its accounting system. Specifically, grant expenditures were not posted to a segregated general ledger account. To track grant expenditures, the County performs manual calculations of its general ledger detail and creates an excel spreadsheet to support amounts claimed. While a document linking the accounting system information to the grant claim invoices is appropriate, the accounting system itself must be able to segregate grant revenues and expenditures and produce grant specific reports. Section 4.3 of the OTS Grant Manual states that an accounting system may be used as long as grant revenues and expenditures including labor are recorded in special grant accounts. The inability of the accounting system to segregate grant revenues and expenditures, and the County's reliance on manual calculations to prepare its claim invoices increases the risk of significant misstatements of reported claimed expenses.

Recommendations:

- A. Segregate grant revenues and expenditures within the accounting system by establishing separate grant accounts.
- B. Ensure the accounting system can create reports that identify all revenues and expenditures pertaining to a particular grant.

COUNTY RESPONSE



MICHELLE SCRAY
Chief Probation Officer

Deputy Chiefs
RICK ARDEN
KIRK DAYTON
D. SCOTT FRYMIRE

November 4, 2009

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

In response to the Draft Report (Dated October 20, 2009) – San Bernardino County Probation Department, Office of Traffic Safety Grant Audit (Grant Agreement: AL0698; Audit Period: 10/1/06 – 9/30/08), two observations were made each with two recommendations. The Department’s response is underscored below each recommendation.

Observation 1: Unsupported Expenditures

For billing purposes the County Payroll System (EMACS) cannot split positions into multiple GRC program identifiers. All positions must be identified to only one program and are charged accordingly. While notations through labor distribution codes related to specific activities performed can be noted in EMACS, charges hit the County Financial Accounting System (FAS) as lump sums identified by GRC code identifier and by Object Code (categorizing the charge). Charges cannot be split to support any notations that are made in EMACS.

Recommendation A. Establish personnel activity reports or similar documentation to support employee salary and benefits allocated to multiple programs.

The Department agrees with this recommendation and employees that have salary and benefits allocated to multiple programs will utilize the EMACS capability for labor distribution tracking.

Recommendation B. Reimburse the OTS \$59,400 for the ineligible costs claimed.

The Department agrees with this recommendation on a qualified basis. Although the EMACS labor distribution codes were not utilized, and there was no compelling documentation provided to support OTS grant time allocations for the Supervising Probation Officer’s costs in question the Supervisor’s weekly schedule was dedicated to OTS activities on every Wednesday. This Supervisor works a 4/10 schedule, resulting in the allocated reimbursement schedule of 25% of the Supervisor’s time dedicated to OTS activities.

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| <ul style="list-style-type: none"> <input type="checkbox"/> Probation Administration
175 West Fifth Street • San Bernardino, CA 92415-0460 <input type="checkbox"/> Adult Community Corrections
401 North Arrowhead Avenue • San Bernardino, CA 92415-0006 <input type="checkbox"/> Rancho Cucamonga Community Corrections
8303 Haven Avenue • Rancho Cucamonga, CA 91730 <input type="checkbox"/> Morongo Basin Community Corrections
6527 White Feather Road • Joshua Tree, CA 92252 <input type="checkbox"/> Central Valley Juvenile Detention & Assessment Center
900 East Gilbert Street • San Bernardino, CA 92415-0941 <input type="checkbox"/> Gateway Program
740 East Gilbert Street • San Bernardino, CA 92415-0940 | <ul style="list-style-type: none"> <input type="checkbox"/> Juvenile Community Corrections
150 West Fifth Street • San Bernardino, CA 92415-0460 <input type="checkbox"/> Barstow Community Corrections
301 East Mt. View • Barstow, CA 92311 <input type="checkbox"/> Victorville Community Corrections
15505 Civic Drive • Victorville, CA 92392 <input type="checkbox"/> Youth Justice Center
900 East Gilbert Street, Bldg. 31 • San Bernardino, CA 92415-0941 <input type="checkbox"/> West Valley Juvenile Detention & Assessment Center
9478 Etiwanda Avenue • Rancho Cucamonga, CA 91739 <input type="checkbox"/> High Desert Juvenile Detention and Assessment Center
21101 Dale Evans Parkway • Apple Valley, CA 92307 |
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Observation 2: Inadequate Accounting System

The Supervising Probation Officer's position split duties between 2 separately funded programs. All salary and benefit costs were split with 75% of charges to Prop 36 and 25% of charges to OTS grant. Since the larger portion of costs was attributable to Prop 36, for EMACS (and consequently FAS) purposes, this position was identified under the Prop 36 GRC code. For grant accounting and invoicing, once charges hit the accounting system, payroll registers are used to verify the expenses and a spreadsheet is prepared splitting the charges 75% to Prop 36 and 25% to OTS. Only the allowable amounts are charged to each program. Documentation detailing the charges to each program, as well the actual reimbursements received from each program were provided. Each program was only charged for the allowable percentage attributable to each, with the sum total of both programs equaling 100% of the employee personnel expenditures.

Recommendation A. Segregate grant revenues and expenditures within the accounting system by establishing separate grant accounts.

The Department affirms that separate grant accounts currently exist within the County accounting system – FAS, as grant revenues and expenses are specifically accounted for and are reportable through the use of GRC identifiers.

Recommendation B. Ensure the accounting system can create reports that indentify all revenues and expenditures pertaining to a particular grant.

The accounting system is currently capable of creating reports that identify all revenue and expenditures pertaining to a particular grant once transfers are completed. Transfers will be scheduled to occur quarterly. However, for regularly scheduled documentation on salary and benefit expenditures, the Department can only rely on the labor distribution process available in the County's payroll system, EMACS, when there are multiple allocations for a single employee.

If you have any questions, please contact:

D. Scott Frymire
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County of San Bernardino
Probation Department
175 W. Fifth Street
San Bernardino, CA 92415
(909) 387-5580

Respectfully,

Original signed by:

Michelle Scray
Chief Probation Officer

MS/sf

cc: Chairman Ovitt, BOS
Gary McBride, CAO
Bea Valdez, CAO
Wayne Thies, CAO

EVALUATION OF RESPONSE

Finance reviewed the County's response to the draft report issued October 20, 2009. Finance's evaluation of the response follows:

OBSERVATION 1: Unsupported Expenditures

The County agreed with the findings but asserts "the Supervising Probation Officer's weekly schedule was dedicated to OTS activities every Wednesday." However, the County acknowledged in its response "there was no compelling documentation provided to support OTS grant time allocation for the Supervising Probation Officer's costs in question..." As a result, the recommendation remains unchanged in the report and the County should reimburse the OTS \$59,400 for the ineligible costs claimed.

OBSERVATION 2: Inadequate Accounting System

The County asserts separate grant accounts currently exist within the County accounting system and the system can generate reports identifying all revenue and expenditures pertaining to a particular grant. However, as acknowledged in the County's response, the separate grant accounts do not include salary and benefit expenditures when there are multiple allocations for a single employee. Also, the County did not establish a separate account in the accounting system to record all grant AL0698 revenues and expenditures. As a result, the recommendation remains unchanged.