COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER

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September 21, 2016

TO: Supervisor Hilda L. Solis, Chair
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: John Naimo
Auditor-Controller

SUBJECT: **FEDERAL DEPARTMENT OF HOMELAND SECURITY GRANT SUB-RECIPIENT MONITORING FOR FISCAL YEAR 2013-14**

As the Homeland Security Operation Area Coordinator, the Chief Executive Office's (CEO) County Disaster Administrative Team is responsible for managing, disbursing, and monitoring the federal Department of Homeland Security Grant (Grant). The CEO disbursed approximately $30.8 million in Fiscal Year (FY) 2013-14 to 46 sub-recipients, which includes independent cities in the Los Angeles County (County) and County Departments, for expenditures related to Grant Years 2010-11, 2011-12, and 2012-13. The Grant provides for disaster planning, simulated disaster drill exercises, training courses, and equipment purchases to enhance the County's ability to prevent, deter, respond, and recover from threats and incidents of terrorism.

At the CEO's request, we contracted with a Certified Public Accounting firm, Vasquez & Company, LLP (Vasquez), to conduct monitoring reviews of the 46 sub-recipients that received Grant funds during FY 2013-14. The purpose of the reviews was to determine whether the sub-recipients appropriately accounted for and spent the Grant funds in accordance with their agreements with the CEO. Vasquez interviewed personnel, and reviewed a sample of claims and related supporting documentation, such as the Agency's financial records, invoices, purchase orders, timecards, and sign-in sheets. Vasquez also visited the sub-recipients to conduct physical inventories of sampled equipment, and evaluated the sub-recipients' compliance with federal, State, and County regulations. In addition, Vasquez followed up on prior year recommendations by reviewing the sub-recipients' procurement procedures, the State's prior authorization forms, and other documentation to support managements' assertions.

Results Summary

Generally, all 46 sub-recipients maintained adequate documentation to support their expenditures, and their expenditure detail reports were supported by their accounting records. In addition, Vasquez did not identify any questioned costs for 42 (91%) of the 46 sub-recipients reviewed. Of the remaining four (9%) sub-recipients, as indicated in Attachment I, Vasquez identified approximately $548,000 in questioned costs. For example, of the 46 sub-recipients:

- One (2%) purchased $304,305 in equipment from a Sole Source vendor without obtaining the State's pre-approval as required.

- Two (4%) purchased $243,174 in equipment without obtaining the required competitive bids or documenting the bidding selection process.

The CEO's attached response indicates that they resolved $15,287 of the $547,733 in questioned costs, and are working with their sub-recipients to resolve the remaining $532,446 in questioned costs.

In addition, some sub-recipients did not always comply with their County contract requirements and other applicable guidelines. For example, of the 46 sub-recipients, Vasquez reported that:

- Twenty-one (46%) did not implement all of their recommendations from prior monitoring reports. Specifically, 75 (54%) of the 139 total recommendations from prior monitoring reports have not been implemented. According to the CEO, since the completion of the monitoring reviews, 112 (81%) of the 139 prior year recommendations have been resolved or implemented.

- Twelve (26%) did not maintain a formal debarment policy and/or check the federal debarment listing for vendors prior to purchasing equipment.

- Nine (20%) did not provide evidence that a physical inventory was conducted for Grant funded equipment within the past two years.

- Eight (17%) did not maintain a complete listing of Grant funded equipment with all the necessary information as required.

The CEO's attached response indicates that a total of 112 (81%) of the 139 prior year recommendations have been resolved or implemented, 17 are no longer applicable, and ten remain outstanding. Their response also indicates that they are working with their sub-recipients in regards to their debarment policy, physical inventory, and equipment listing.

The questioned costs and contract compliance issues noted in the reviews for each sub-recipient are detailed in Attachment I.

Review of Report

Vasquez provided and discussed each report with the CEO and the respective sub-recipients. The CEO's attached response (Attachment II) indicates agreement with Vasquez's findings and recommendations. As indicated above, the CEO will work with the sub-recipients to ensure that the findings and recommendations will be implemented timely.

Due to the number of reviews, copies of individual reports are not enclosed, but are available upon request. If you have any questions please call me, or your staff may contact Aggie Alonso at (213) 253-0304.

JN:AB:PH:AA:YP:sk

Attachments

c: Sachi A. Hamai, Chief Executive Officer
Public Information Office
Audit Committee

FEDERAL DEPARTMENT OF HOMELAND SECURITY GRANT
SUB-RECIPIENT MONITORING
FISCAL YEAR 2013-14

#	Sub-Recipients	Amount of FY 2013-14 Grants Received	Questioned Costs	A	B	C	(1)	(2)	D	E	F	G	H	I	J	K	L
1	Los Angeles Regional Interoperable Communications System	$ 9,742,800					0	0									
2	Los Angeles County (LAC) Sheriff's Department	$ 5,018,377					4	4	X		X	X					
3	City of Glendora	$ 2,101,721					0	0		X							
4	LAC Fire Department	$ 1,749,140					7	6	X	X							
5	LAC Department of Health Services	$ 1,629,696	$ 228,141		$ 228,141		0	0				X					
6	City of Monrovia	$ 1,162,719					2	2	X	X	X	X					
7	City of Los Angeles	$ 1,069,514					0	0									
8	City of Glendale	$ 957,498					5	1	X								
9	LAC Office of Emergency Management	$ 798,474					4	4	X								
10	City of Long Beach	$ 711,437					1	0		X							
11	City of San Marino	$ 533,816	$ 304,305	$ 304,305			10	9	X		X	X	X			X	X
12	City of Santa Fe Springs	$ 497,971	$ 254			$ 254	2	0									
13	City of Hawthorne	$ 452,000					2	0									
14	City of El Monte	$ 438,873					5	4	X		X	X					
15	City of Pasadena	$ 400,264					5	0									
16	Interagency Communications Interoperability System	$ 333,057					0	0									
17	American Red Cross	$ 250,452					2	0									
18	City of San Gabriel	$ 236,473					4	3	X	X							
19	City of South Gate	$ 235,069					4	1	X								
20	City of Pomona	$ 215,000					3	0		X							
21	City of Downey	$ 211,668					5	4	X		X						
22	LAC Department of Mental Health	$ 199,996					2	2	X								
23	City of La Verne	$ 191,240					3	3	X	X							
24	City of Manhattan Beach	$ 186,299					1	0									
25	City of Arcadia	$ 144,777					2	0		X				X			
26	City of Claremont	$ 143,813					1	0									
27	City of West Covina	$ 122,979					6	5	X	X							
28	Burbank Police Department	$ 122,135					3	0									
29	City of Redondo Beach	$ 100,863					0	0		X							
30	City of Bell Gardens	$ 100,000					8	4	X			X					
31	City of Huntington Park	$ 99,678					2	0		X	X						
32	City of La Habra Heights	$ 87,581					0	0									
33	LAC Department of Medical Examiner-Coroner	$ 83,869	$ 15,033		$ 15,033		5	5	X			X	X				
34	City of Beverly Hills	$ 79,675					0	0									
35	City of Hermosa Beach	$ 74,903					4	0									
36	City of Alhambra	$ 66,474					6	4	X		X						
37	City of South Pasadena	$ 54,424					4	4	X	X	X	X					
38	City of Bell	$ 43,236					1	0									
39	City of Signal Hill	$ 38,554					3	0									
40	City of Sierra Madre	$ 36,411					3	1	X								
41	LAC Department of Public Health	$ 29,756					0	0									

FEDERAL DEPARTMENT OF HOMELAND SECURITY GRANT
SUB-RECIPIENT MONITORING
FISCAL YEAR 2013-14

#	Sub-Recipients	Amount of FY 2013-14 Grants Received	Questioned Costs	A	B	C	(1)	(2)	D	E	F	G	H	I	J	K	L
42	City of Santa Monica	$ 25,773					2	1	X		X		X				
43	City of Gardena	$ 18,135					6	2	X								
44	City of Monterey Park	$ 12,645					5	0									
45	Burbank Fire Department	$ 11,200					0	0									
46	City of Montebello	$ 5,620					7	6	X						X		
	TOTAL	**$ 30,826,055**	**$ 547,733**	**$ 304,305**	**$ 243,174**	**$ 254**	**139**	**75**	**21**	**12**	**9**	**8**	**3**	**1**	**1**	**1**	**1**

Code Summary

A One (2%) sub-recipient purchased $304,305 in equipment from a Sole Source vendor without obtaining the State's pre-approval as required.
B Two (4%) sub-recipients purchased $243,174 in equipment without obtaining the required competitive bids or documenting the bidding selection process.
C One (2%) sub-recipient overcharged the Homeland Security Grant $254 in payroll expenditures.
D Twenty-one (46%) sub-recipients did not implement all of their recommendations from prior monitoring reports.
E Twelve (26%) sub-recipients did not maintain a formal debarment policy and/or check the federal debarment listing for vendors prior to purchasing equipment.
F Nine (20%) sub-recipients did not provide evidence that a physical inventory was conducted for Homeland Security Grant funded equipment within the past two years.
G Eight (17%) sub-recipients did not maintain a complete listing of Homeland Security Grant funded equipment with all the necessary information as required.
H Three (7%) sub-recipients did not maintain a policy for disposal of fixed assets that included notification to the County or the grantor of damages, destruction, or loss of equipment.
I One (2%) sub-recipient's timecards were not dated and signed by the employees and their supervisors.
J One (2%) sub-recipient's expenditure detail report was not adequately supported by their accounting records.
K One (2%) sub-recipient did not maintain adequate documentation, such as the State's approval that included the training course name and number, to support the training expenditure.
L One (2%) sub-recipient did not have adequate controls in place to ensure items purchased with Homeland Security Grant funds were properly tagged and accounted for, safeguarded, and used solely for authorized purposes.

Footnotes

(1) This column represents total prior year recommendations.
(2) This column represents number of unresolved prior year recommendations.

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August 15, 2016

To: John Naimo
Auditor-Controller
Department of Auditor-Controller

From: Sachi A. Hamai
Chief Executive Office

RESPONSE TO FEDERAL DEPARTMENT OF HOMELAND SECURITY GRANT SUB-RECIPIENT MONITORING FOR FISCAL YEAR 2013-2014

We have reviewed the above subject report and agree with most of the findings and recommendations identified in the 46 monitoring reviews conducted by Vasquez & Company (Vasquez). In addition, the County Disaster Administrative Team (CDAT) would like to update your office on the progress we have made in resolving some of these findings.

Response to Review Summary

- **$304,305 in equipment purchases that were not supported with the State's prior approval to use Sole Source method of procurement.**

  Response
  To date, we have not received the documentation requested of the City of San Marino. In an effort to resolve these issues, we will continue to work in conjunction with the City Manager and administrative staff. At this time, we have established a target date of October 15, 2016 to resolve this matter.

- **$243,174 in equipment purchases that were not adequately supported with copies of competitive bids or the bidding selection process.**

  Response
  We contacted the Department of Health Service (DHS) and learned that it allowed eleven private/non-governmental hospitals to independently procure and purchase medical equipment totaling $228,140.90 with SHSGP funds. This SHSGP funding was allocated to our sub-recipient, DHS, and not these private hospitals.

Pursuant to the Code of Federal Regulations (CFR) Title 44, Part 13, Subpart C, Section 13.36(b)(1), Under SHSGP, DHS should have procured the equipment from the lowest bidders and then distributed the items to the hospitals. As a result of noncompliance with the CFR citation, the amount paid for similar medical equipment items varied significantly; further evidence that the best prices were not obtained in some instances and the claim may be disallowed and considered ineligible for reimbursement. DHS may be required to return funds claimed in the amount of $228,140.90.

We also contacted the Department of Medical Examiner-Coroner and learned that it used the County Internal Services Department (ISD) bidding procedures to acquire the equipment at a cost of $15,033. Furthermore, the Coroner's office provided a copy of ISD's bidding documentation to validate the vendor selection process. As a result, we consider this matter closed. No further work is proposed.

- **$254 in salary was overstated in the claim. The City of Santa Fe Springs claimed reimbursement for employee salary calculated at higher hourly overtime rates. The training rates were mistakenly calculated which caused the variance.**

  Response
  We obtained copies of the work papers from our contract auditor to get a clearer understanding of how this problem occurred. Unfortunately, Vasquez did not provide enough documentation for us to determine how the overstated amount of $254.08 was derived. However, based on the information they provided, we learned that three employees were paid the higher salary; and according to our calculations the overstated amount should have been $169.30 and not $254.08 as reported.

  Based on the amount claimed of $499,971 during this review and because the City of Santa Fe Springs has implemented a Corrective Action Plan (CAP) to ensure that any change in rate of pay will not affect the calculation of funding requests in the future, we consider this finding resolved and immaterial. No further action is proposed.

In addition, some sub-recipients did not always comply with their County contract requirements and other applicable guidelines. For example, of the 46 sub-recipients, Vasquez reported that:

- **Twenty-one (46%) did not implement all of their recommendations from prior year monitoring reports. Specifically, 75 (54%) of the 139 recommendations from prior monitoring reports have not been implemented.**

Response
We concur with these findings. However, all of these reports were issued before November 1, 2015. Since that time, many of the sub-recipients have responded in a favorable manner to these prior year findings.

Based on our recent review of the 75 prior year findings, 48 of the findings have been resolved; 10 of the findings are pending sub-recipient responses; and 17 findings relate to equipment that is no longer in service. Thus, we will continue to monitor those findings that are pending responses and closeout those that relate to equipment no longer in service that has been or will be disposed of pursuant to the terms in the Code of Federal Regulations.

- **Twelve (26%) did not maintain a formal debarment policy and/or check the federal debarment listing for vendors prior to purchasing equipment.**

  Response
  We agree with this finding. However, based on our more recent reviews and sub-recipient contacts, these findings have been resolved, or will be resolved in the very near future. We will closely monitor this process going forward to ensure that all sub-recipients comply with this requirement.

- **Nine (20%) did not provide evidence that a physical inventory was conducted for CalOES funded equipment within the past two years.**

  Response
  We agree with this finding. However, all but one of these sub-recipients have agreed to perform these physical inventories in the coming fiscal year 2015-16. We will closely monitor this process to ensure all sub-recipients comply with this requirement.

- **Eight (17%) did not maintain a complete listing of CalOES funded equipment with all necessary information required.**

  Response
  We agree with this finding. We will be working with these eight sub-recipients going forward to ensure these findings are resolved to comply with the federal requirement.

We wish to thank you and your staff for their assistance in this review. If you have any questions or require additional information, please contact Alvia Shaw of my staff at (213) 974-7315 or ashaw@ceo.lacounty.gov or Ron Diaz at (213) 893-2486 or rdiaz@ceo.lacounty.gov.

SH:JJ:AC:
AS:RD:tlh