COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER

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WENDY L. WATANABE
AUDITOR-CONTROLLER

March 8, 2013

TO: Supervisor Mark Ridley-Thomas, Chairman
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **FEDERAL DEPARTMENT OF HOMELAND SECURITY GRANT SUB-RECIPIENT MONITORING FOR GRANT YEAR 2007**

The Chief Executive Office's (CEO) County Disaster Administrative Team (CDAT) received approximately $18.7 million grants from federal Department of Homeland Security for Grant Year (GY) 2007. The grants were received through the California Emergency Management Agency (CalEMA). CDAT allocated the grant funds to the 37 sub-recipients, including County departments, the County Office of Emergency Management (OEM), and independent cities, in Los Angeles County (County). OEM is a separate unit in the CEO that uses grant funds allocated by CDAT for Countywide disaster planning, training, and operations. CDAT is also responsible for monitoring the sub-recipients to ensure they comply with applicable grant requirements.

At CDAT's request, we contracted with an independent Certified Public Accounting firm, Vasquez & Company (Vasquez), to conduct financial compliance audits of the 37 sub-recipients. Vasquez's audit did not include reviewing CDAT directly. However, the issues identified with the sub-recipients may require CDAT to take a more proactive role in monitoring the sub-recipients.

Review Summary

Vasquez identified a total of approximately $959,000 in questioned costs, plus additional questioned items that could not be quantified, including:

- Two sub-recipients did not provide supporting documentation for their grant expenditures, totaling $318,276. Specifically, the County Fire Department (Fire) did not have documentation for $236,811, and the City of South Gate (South Gate) did not have documentation for $81,465.

  The CEO's attached response indicates that they subsequently obtained supporting documentation from Fire for the $236,811, and will follow up with South Gate to obtain supporting documentation for the $81,465.

- Two sub-recipients did not provide required documentation that they had obtained State approval before making sole source purchases, totaling $540,720. Specifically, the County Department of Health Services (DHS) did not have documentation of approval for $130,698, and OEM did not have documentation for $410,022.

  The CEO's response indicates that they determined that DHS is now in compliance, and that OEM had obtained State approval for the purchase in the prior year, but were not aware they had to obtain approval again for the subsequent year. The CEO will move $410,022 to cover the questioned cost to a liability account in the event CalEMA or the Federal Emergency Management Agency decide to disallow the costs because of the lack of prior approval.

- Three sub-recipients were unable to locate equipment items that were purchased with grant funds, totaling $89,706. Specifically, the City of Arcadia, the County Sheriff's Department, and Fire could not locate equipment with a cost of $11,988, $29,655, and $48,063, respectively.

  The CEO's response indicates that they will follow up with the sub-recipients to locate the equipment.

- Fifteen sub-recipients did not maintain inventory lists for $9,281 in equipment that was purchased with grant funds in prior years.

  The CEO's response indicates that they will work with the sub-recipients to update their equipment listings.

- Thirty-four sub-recipients had a combined total of 96 internal control weaknesses. In addition, twenty-five sub-recipients had not implemented 72 (68%) of the 106 recommendations that were made during the GY 2005 and 2006 grant audits.

  The CEO's response indicates that they will work with the sub-recipients to resolve the internal control weaknesses, and will take a more proactive role to ensure that grant sub-recipients correct all weaknesses identified in the monitoring reviews.

Because of the number of sub-recipients, copies of the individual reports are not enclosed, but are available for your review upon request. Please call me if you have any questions, or your staff may contact Don Chadwick at (213) 253-0301.

WLW:JLS:DC:AA:JS

Attachment

c: William T Fujioka, Chief Executive Officer
Public Information Office
Audit Committee

California Emergency Management Agency
Sub-Recipient Monitoring/Financial Compliance Audit
Grant Year 2007

#	Sub-Recipients	Amount of GY 2007 Claims Audited	Number of Current Year Findings	Number of Unresolved Prior Year Findings	Number of Internal Control Weaknesses Identified	Questioned Costs (See Legend on Page 2)				
						A	B	C	D	Total
1	City of Arcadia	$174,429	5	1/1	3			**$11,988**	(1)	**$11,988**
2	City of Azusa	131,528	2	2/2	2					
3	City of Bell Gardens	25,011	5	3/4	4				(1)	
4	City of Beverly Hills	41,375	2	N/A	2					
5	City of Burbank	149,583	2	N/A	2					
6	City of Claremont	34,640	0	0/2	0					
7	City of Covina	25,011	3	2/2	3					
8	City of Culver City	25,011	4	0/2	4					
9	City of El Monte	113,732	5	6/8	5					
10	City of Gardena	224,835	4	3/5	3				(1)	
11	City of Glendale	1,046,197	1	0/1	1					
12	City of Glendora	351,939	2	1/3	2					
13	City of Irwindale	98,511	5	0/2	4				(1)	
14	City of La Verne	15,000	4	3/4	3				(1)	
15	City of Long Beach	250,401	2	2/2	2					
16	City of Los Angeles	627,730	3	0/2	2				(1)	
17	City of Manhattan Beach	124,224	7	1/1	6				(1)	
18	City of Monrovia	25,011	2	5/5	1				(1)	
19	City of Montebello	182,276	6	9/9	5				(1)	
20	City of Monterey Park	46,144	5	1/3	4				(1)	
21	City of Pasadena	521,194	3	1/1	3					
22	City of Pomona	187,359	3	1/3	3					
23	City of San Gabriel	9,125	2	2/4	1				(1)	

California Emergency Management Agency
Sub-Recipient Monitoring/Financial Compliance Audit
Grant Year 2007

#	Sub-Recipients	Amount of GY 2007 Claims Audited	Number of Current Year Findings	Number of Unresolved Prior Year Findings	Number of Internal Control Weaknesses Identified	Questioned Costs				
						A	B	C	D	Total
24	City of San Marino	$59,227	4	3/5	3				(1)	
25	City of Santa Fe Springs	590,358	1	0/1	1					
26	City of Sierra Madre	70,191	2	2/2	2					
27	City of South Gate	81,465	5	6/6	3	**$81,465**			(1)	**$81,465**
28	City of South Pasadena	25,011	4	3/4	4					
29	City of Torrance	25,011	1	N/A	1					
30	City of West Covina	133,659	5	3/3	4				**$9,821**	**$9,821**
31	County Sheriff's Department	4,761,144	6	1/4	5			**$29,655**		**$29,655**
32	County Fire Department	3,674,532	4	6/8	2	**$236,811**		**$48,063** (1)		**$284,874**
33	County Coroner	320,825	3	0/0	3					
34	County Department of Mental Health	849,128	1	2/3	1					
35	County Department of Public Health	300,745	0	0/0	0					
36	County Department of Health Services	406,552	1	0/1	0		**$130,698**			**$130,698**
37	County Office of Emergency Management	3,012,321	4	3/3	2		**$410,022**		(1)	**$410,022**
	TOTAL	**$ 18,740,435**	**118**	**72/106**	**96**	**$318,276**	**$540,720**	**$89,706**	**$9,821**	**$958,523**

Code Summary

A Did not provide accounting records to support program expenditure amounts.
B Did not provide documentation to show that procurement requirements were followed.
C Unable to locate certain equipment items purchased with grant funds.
D Did not maintain an equipment inventory list for equipment items purchased in prior years.

Footnotes

(1) Monitor was not able to determine the dollar value of one or more findings in this category.

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WILLIAM T FUJIOKA
Chief Executive Officer

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

December 5, 2012

To: Wendy Watanabe
Auditor-Controller

From: William T Fujioka
Chief Executive Officer

Subject: Response to Draft Summary of the United States Department of Homeland Security Sub-Recipient Monitoring Report for Grant Year 2007

The County Disaster Administrative Team (CDAT) has reviewed the attached United States Department of Homeland Security Sub-Recipient Monitoring Report for Grant Year 2007 (Attachment 1) prepared by the Contract Monitoring Division. As a result, CDAT would like to update your office on the progress we have made with closing out the findings resulting from these reviews.

Review Summary

Two sub-recipients did not provide accounting records to support program expenditure amounts totaling $318,276

Our office will follow up with the City of South Gate in order to obtain the accounting records showing the $81,465 was properly recorded.

Our office was able to obtain the invoices for the Fire Department's Homeland Security Grant UPS Battery Project in the amount of $236,811 (Attachment 2). Therefore, we have determined that the Fire Department's finding is now closed.

Two sub-recipients did not provide documentation to indicate that they followed the required procurement procedures for purchases totaling $540,720.

The Department of Health Services (DHS) did not obtain approval from the State before entering into a sole source contract totaling $130,698. DHS followed the County's sole source procurement policy; however, they did not obtain the State's approval. We have

reviewed DHS' current Homeland Security Grant projects and have determined that DHS is properly seeking prior State approval before entering into sole source contracts. Therefore, we have determined that this finding is now closed.

CEO's Information Technology Services Division (ITS) did not obtain prior State approval for the sole source purchase of a satellite networking system monthly service for the 2007 SHSGP grant. ITS did obtain sole source approval during the 2006 SHSGP grant year, however, they were unaware they needed to obtain approval again in the subsequent grant year. Our office will move the $410,022 to a liability account in the event the State and/or FEMA decide to disallow this project due to lack of prior sole source approval.

Three sub-recipients were unable to locate equipment items totaling $89,706 purchased with grant funds.

The auditors were unable to inspect a base station (purchased for $11,988.39 with grant year 2005 funds) because the City of Arcadia (City) could not determine, at the time of inspection, where the equipment was located. Our office will follow up with the City to update their equipment ledger to reflect the correct location or instruct the City to remove the equipment from their inventory if it is determined the item is now obsolete.

The auditors could not inspect three laptops and computer software purchased with 2006 grant funds totaling $29,655 at the Sheriff's Department. The Department informed the auditors that the software has not been used in years and did not have serial numbers. The Department is in the process of updating their equipment inventory listing to account for obsolete equipment. In addition, since the auditors did not have enough time to inspect the computers, our office will follow up with the Sheriff's Department.

The Fire Department equipment ($48,063) that could not be located was out in the field and/or out for repair. We will follow up with the Department to ensure they locate all equipment that was purchased with Homeland Security Grant funding.

Fifteen sub-recipients did not maintain an equipment inventory as required for items totaling $9,821 that were purchased in prior years.

CDAT will be coordinating an effort to update all equipment logs of every sub-recipient that has purchased equipment through the State Homeland Security Grant Program. Our office will send out equipment listings of all grant purchased equipment to each sub-recipient in order to verify the status and update the equipment inventory logs at that time.

> ***Thirty-four sub-recipients had a combined total of 96 internal control weaknesses.***
>
> ***Twenty-five sub-recipients did not implement 72 (68%) of the 106 outstanding recommendations made during the GY 2005 and GY 2006 audits.***

CDAT will ensure that the next sub-recipient monitoring work order will include the inclusion of following up on prior year findings (GY 2005, 2006 and 2007) as well as monitoring the sub-recipients on the most current grant year. Additionally, our office will work with the sub-recipients to attempt to close out these findings prior to the next sub-recipient monitoring work order as time permits.

Summary

CDAT will continue to follow up with the sub-recipients as time permits. In addition, we will include the follow up and disposition of prior year findings in our next work order for the Sub-Recipient Monitoring for the Homeland Security Grants that will be performed by Vasquez in the summer of 2013.

Please contact Carol Kindler at (213) 974-1154 or Heather Singh at (213) 974-2319, if you should have any questions.

WTF:NH:CK
HS:hs

Attachments

c: Don Chadwick, Contract Monitoring Division