



DEPARTMENT OF
FINANCE

EDMUND G. BROWN JR., GOVERNOR

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Transmitted via e-mail

February 7, 2011

Ms. Stacey Aldrich, State Librarian
California State Library
P.O. Box 942837
Sacramento, CA 94237-0001

Dear Ms. Aldrich:

Final Report—City of Sacramento, California State Library Grant Audit

The Department of Finance, Office of State Audits and Evaluations (Finance), has completed its audit of the City of Sacramento's (City) grant agreement 3070 for the period February 16, 2006 through December 31, 2010. This grant was awarded by the California State Library under the Proposition 14 Bond Program.

The enclosed report is for your information and use. Because there were no audit findings or issues requiring a response, we are issuing the report as final.

This report will be placed on our website. Additionally, pursuant to 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 City. If you have any questions regarding this report, please contact Jennifer Whitaker, Manager, or Rich Hebert, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by Rick Sierra for:

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

Enclosure

cc: Mr. Yadi Kavakebi, Facilities Superintendent, City of Sacramento
Ms. Katherine Robbins, Administrative Analyst, City of Sacramento
Ms. Lois Ross, Facilities Manager, Sacramento Public Library Authority
Ms. Deborah A. Newton, Bureau Chief, California State Library

A GRANT AUDIT

City of Sacramento North Natomas Public Library Grant Agreement 3070



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

MEMBERS OF THE TEAM

Jennifer Whitaker
Manager

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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

In March 2000, California voters approved the California Reading and Literacy Improvement and Public Library Construction and Renovation Bond Act (Proposition 14), which authorized the State of California to sell \$350 million in general obligation bonds to support public library construction and renovation. The California State Library, Office of Library Construction (OLC), administered this program during the application review and approval phases, and awarded 45 projects totaling \$334 million.

In 2006, OLC was reorganized as the Bond Administration Office (BAO), which now administers the program. BAO authorizes the disbursement of bond proceeds to local agencies via grants, and these agencies expend the funds on approved projects. Program requirements are codified in Title 5 and Title 24 of the California Code of Regulations.

OLC awarded the City of Sacramento (City) a \$7.01 million Proposition 14 grant, which represents 65 percent of the budgeted amount to fund a new North Natomas Public Library. The project was completed in January 2010 and has provided the City a 23,000 square foot library.

SCOPE

In accordance with an interagency agreement, the Department of Finance, Office of State Audits and Evaluations, conducted a compliance audit of grant agreement 3070 for the period February 16, 2006 through December 31, 2010.

The audit objective was to determine whether the City's grant expenditures 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 City is responsible for ensuring accurate financial reporting and compliance with applicable laws, regulations, and grant requirements. The California State Library 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 grant requirements, we performed the following procedures:

- Interviewed key personnel to obtain an understanding of the grant-related internal controls.
- Examined applicable laws, policies, procedures, and grant files maintained by BAO.

- Reviewed the City's accounting records and vendor invoices.
- Selected a sample of expenditures to determine if claimed costs were allowable, grant-related, incurred within the grant period, supported by accounting records, and properly recorded.
- Performed procedures to determine if other revenue sources were used to reimburse expenditures already reimbursed with grant funds.
- Conducted a site visit to verify project existence.

The results of our audit are based on our review of documentation, other information made available to us, and interviews with City staff directly responsible for administering the bond funds. The audit was conducted from August 2010 through November 2010.

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.

RESULTS

Based on the audit procedures performed, the City met the fiscal requirements for the grant agreement. In addition, the City, which was required to provide matching funds equal to 35 percent of eligible expenditures, met the \$3.77 million matching fund requirement. The Schedule of Claimed, Audited, and Questioned Amounts is presented in Table 1.

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

Grant Agreement 3070			
For the Period February 16, 2006 through December 31, 2010			
Expenditures	Claimed	Audited	Questioned
New Construction	\$ 8,052,338	\$ 8,052,338	\$ 0
Appraised Value of Land	800,000	800,000	0
Furnishings and Equipment Costs	291,373	291,373	0
Architectural and Engineering Fees	1,646,887	1,646,887	0
Total	\$ 10,790,598¹	\$ 10,790,598	\$ 0

¹ Amount includes \$701,388 representing the 10 percent retention withheld by the California State Library and \$3,776,709 in matching costs.