



Transmitted via e-mail

November 7, 2014

Mr. John Laird, Secretary
California Natural Resources Agency
1416 Ninth Street, Suite 1311
Sacramento, CA 95814

Dear Mr. Laird:

Final Report—Fullerton Historic Theatre Foundation, Proposition 40 Grant Audit

The Department of Finance, Office of State Audits and Evaluations, has completed its audit of the Fullerton Historic Theatre Foundation's (Foundation) grant R3-08, issued by the California Cultural and Historical Endowment.

The enclosed report is for your information and use. Because there were no audit observations requiring a response, we are issuing the report as final. This report will be placed on our website.

We appreciate the assistance and cooperation of the Foundation. If you have any questions regarding this report, please contact Diana Antony, Manager, or Mindy Patterson, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

Richard R. Sierra, CPA
Chief, Office of State Audits and Evaluations

Enclosure

cc: Ms. Polly Escovedo, Acting Executive Officer, California Cultural and Historical Endowment
Mr. Patrick Kemp, Assistant Secretary for Administration and Finance, California Natural Resources Agency
Ms. Julie Alvis, Deputy Assistant Secretary, California Natural Resources Agency
Mr. Bryan Cash, Deputy Assistant Secretary, California Natural Resources Agency
Mr. Leland Wilson, President, Fullerton Historic Theatre Foundation
Ms. Christine Pilapil, Project Manager, City of Fullerton

AUDIT REPORT

Fullerton Historic Theatre Foundation Proposition 40 Bond Program Grant Agreement R3-08

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

MEMBERS OF THE TEAM

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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, SCOPE, METHODOLOGY AND RESULTS

BACKGROUND

California voters approved the California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Act of 2002 (Proposition 40). The \$2.6 billion of bond proceeds finance a variety of cultural and natural resource programs.

The California Cultural and Historical Endowment (CCHE) is a state entity tasked with preserving and protecting California's cultural heritage. In 2009, CCHE awarded the Fullerton Historic Theatre Foundation (Foundation) \$1,983,375 for restoration of the Fox Fullerton Theatre, which is the only surviving movie palace in Orange County with restorable elements. The Foundation is a non-profit organization formed in 2001 to meet the challenge of saving the Fox Fullerton Theatre.

SCOPE

In accordance with the Department of Finance's bond oversight responsibilities, we audited grant agreement R3-08 for the period March 1, 2006 through December 31, 2012.

The audit objectives were to determine whether the Foundation's grant expenditures claimed were in compliance with applicable laws, regulations, and grant requirements; and to determine whether the grant deliverables were completed as required. We did not assess the efficiency or effectiveness of program operations.

The Foundation's management is responsible for ensuring accurate financial reporting and compliance with applicable laws, regulations, and grant requirements. CCHE and the California Natural Resources Agency are responsible for the state-level administration of the bond program.

METHODOLOGY

To determine whether grant expenditures were in compliance with applicable laws, regulations, and the grant requirements; and if the grant deliverables were completed as required, we performed the following procedures:

- Examined the grant files, the grant agreement, and applicable policies and procedures.
- Reviewed the Foundation's accounting records, vendor invoices, and bank statements.
- Selected a sample of claimed expenditures and determined whether they were allowable, grant-related, incurred within the grant period, supported by accounting records, and properly recorded.
- Evaluated whether other revenue sources were used to reimburse expenditures claimed for reimbursement under the grant agreement.

- Evaluated whether grant deliverables were met by performing a site visit and reviewing the final report required by CCHE before retention could be released.

In conducting our audit, we obtained an understanding of the Foundation's internal controls, including any information systems controls that we considered significant within the context of our audit objectives. We assessed whether those controls were properly designed and implemented. Any deficiencies in internal control that were identified during our audit and determined to be significant within the context of our audit objectives are included in this report.

We conducted this audit in accordance with generally accepted government performance auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our observations and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our observations and conclusions based on our audit objectives.

RESULTS

The results of the audit are based on our review of documentation, other information made available to us, and interviews with staff directly responsible for administering grant funds.

Based on the procedures performed, the grant expenditures claimed complied with the grant agreement requirements. Additionally, the grant deliverables were completed as specified in the grant agreement. The Schedule of Claimed Amounts is presented below.

Schedule of Claimed Amounts

Task	Claimed
Design/Planning	\$ 308,036
General Conditions	72,721
Structural & Seismic Work	1,139,096
Construction Management	455,010
Administrative Costs	8,512
Total Grant Funds	\$1,983,375
Match Funds	1,983,375
Total Project Expenditures	\$3,966,750