



Transmitted via e-mail

September 30, 2014

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

Dear Mr. Laird:

**Final Report—Kidspace Children’s Museum, Proposition 40 Grant Audit**

The Department of Finance, Office of State Audits and Evaluations, has completed its audit of the Kidspace Children’s Museum’s grant 09-C 3-17, issued by the California Cultural and Historical Endowment.

The enclosed report is for your information and use. Kidspace Children’s Museum’s response to the report observation is incorporated into this final report. Kidspace Children’s Museum agreed with our observations and we appreciate its willingness to implement corrective actions. The observation in our report is intended to assist management in improving its program. This report will be placed on our website.

We appreciate the assistance and cooperation of Kidspace Children’s Museum. If you have any questions regarding this report, please contact Susan Botkin, Manager, or Sherry Ma, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

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

Enclosure

cc: 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  
Ms. Polly Escovedo, Executive Officer (A), California Cultural and Historical Endowment  
Mr. Michael Shanklin, Chief Executive Officer, Kidspace Children’s Museum  
Ms. Erica Blodgett, Director of Development, Kidspace Children’s Museum

Kidspace Children's Museum  
Proposition 40 Bond Program  
Grant Agreement 09-C 3-17



Physics Forest at Kidspace Children's Museum

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

## **MEMBERS OF THE TEAM**

Susan Botkin, CGFM  
Manager

Sherry Ma, CRP  
Supervisor

Staff  
Kathleen Wong

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

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## **BACKGROUND**

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

Kidspace Children's Museum (Kidspace) focuses on providing kids a hands-on learning experience and being a safe environment where learners of all abilities can learn at their own pace and focus on topics of interest to them. The mission of Kidspace is to nurture the potential of all children through kid-driven outdoor explorations, inspiring them to become joyful, active learners.<sup>1</sup> Kidspace received a \$1,741,500 grant from the California Cultural and Historical Endowment (CCHE) to assist in the creation of permanent outdoor exhibits that focus on the physical and applied sciences.

## **SCOPE**

In accordance with the Department of Finance's bond oversight responsibilities, we audited grant 09-C 3-17 for the period May 18, 2009 through July 31, 2012.

The audit objectives were to determine whether Kidspace'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.

Kidspace 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, we performed the following procedures:

- Interviewed key personnel to obtain an understanding of the grant-related internal controls.
- Examined the grant files, the grant agreement, and applicable policies and procedures.
- Reviewed Kidspace's accounting records, vendor invoices, and bank statements.

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<sup>1</sup> [www.kidspacemuseum.org](http://www.kidspacemuseum.org)

- Selected a sample of claimed expenditures to determine if 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.
- Evaluated whether a sample of grant deliverables were met by reviewing supporting documentation and conducting a site visit to verify construction of the new exhibits.

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.

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.

Except as noted below, the grant expenditures claimed were in compliance with the requirements of the grant agreement, and grant deliverables were completed as required. The Schedule of Claimed amounts is presented below.

**Schedule of Claimed Amounts**

| <b>Grant Agreement 09-C 3-17</b>  |                     |
|-----------------------------------|---------------------|
| <b>Task</b>                       | <b>Claimed</b>      |
| Exhibit Design                    | \$ 428,414          |
| Exhibit Fabrication               | 839,004             |
| Building Design                   | 58,256              |
| Landscape Planning & Design       | 42,500              |
| Landscape & Exhibit Installation  | 373,326             |
| <b>Total Grant Funds</b>          | <b>1,741,500</b>    |
|                                   |                     |
| Match Funds                       | 1,741,500           |
| <b>Total Project Expenditures</b> | <b>\$ 3,483,000</b> |

**Observation 1: Non-compliance with Contracting Requirements**

Kidspace Children’s Museum could not provide evidence of written contracts with the construction consultant, the building designer, and the architectural firms. Without a contract that clearly defines the scope of work, allowable and unallowable costs, a current fee schedule, and final deliverable, there is an increased risk that expenditures will not be in compliance with program requirements and state fiscal policies, and final deliverables will not be completed as intended. Additionally, for all seven contracts that were provided, they did not adhere to the grant requirement specifying a clause must be included to allow state auditors to review the records of subcontractors for projects related to the grant. Should a review of subcontractor records be necessary, the state’s rights would be limited without such written agreement.

Exhibit D, section 1, of the grant agreement states all subcontracts must be in writing and must include specific language that establishes the rights of auditors of the state to examine the records of the subcontractor relative to the services and materials provided under the subcontract and/or the grant agreement.

**Recommendations:**

- A. Execute written contracts with all subcontractors and consultants performing state-funded services that clearly define the scope of work, allowable and unallowable costs, current fee schedule, and deliverables. Ensure all contracts incorporate requirements as specified in the grant agreement.
- B. Retain original signed contracts and any subsequent amendments.

