



Transmitted via e-mail

August 18, 2014

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

Dear Mr. Laird:

Final Report—Landmark Heritage Foundation, Proposition 40 Grant Audit

The Department of Finance, Office of State Audits and Evaluations, has completed its audit of the Landmark Heritage Foundation's (Foundation) grant CCHER401, issued by the California Cultural and Historical Endowment under Proposition 40.

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 Susan Botkin, Manager, or Rebecca McAllister, Supervisor, at (916) 322-2985.

Sincerely,

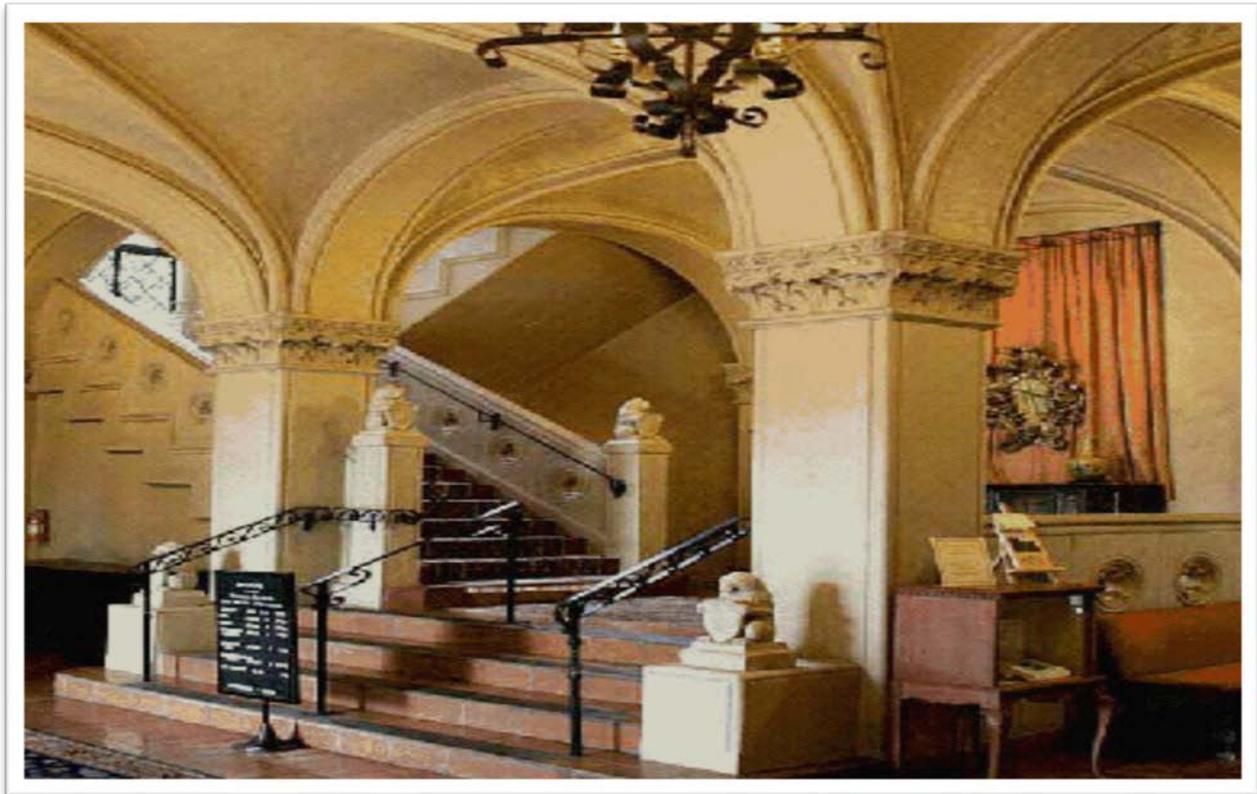
Original signed by:

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
Ms. Tatjana Haschemi, President, Berkeley City Club Conservancy
Ms. Mary Breunig, Project Manager, Berkeley City Club Conservancy
Mr. Thomas Friedland, Treasurer, Berkeley City Club Conservancy

Landmark Heritage Foundation
Proposition 40 Bond Program
Grant Agreement CCHER401



Berkeley City Club Hallway
Source: Berkeley City Club Conservancy website

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 Neighborhoods Parks and Coastal Protection Act of 2002 (Proposition 40). The \$2.6 billion of bond proceeds finance a variety of resource programs.

The California Cultural and Historical Endowment (CCHE) is a state entity tasked with preserving and protecting California's cultural heritage. In 2010, CCHE awarded the Landmark Heritage Foundation (Foundation) \$381,000 for the preservation of the Foundation's building, which was designed and built by the legendary architect and builder, Julia Morgan. The Foundation (now known as Berkeley City Club Conservancy) is a non-profit corporation established in 1965 that is dedicated to the historic preservation of the building and to promoting the legacy of Julia Morgan.¹

SCOPE

In accordance with the Department of Finance's bond oversight responsibilities, we audited grant agreement CCHER401 for the period August 11, 2010 through March 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:

- 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 the Foundation's accounting records, vendor invoices and bank statements.

¹ Excerpts from grant agreement and Berkeley City Club Conservancy's website.

- 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 a sample of grant deliverables were met by conducting a site visit and reviewing supporting documentation to verify the existence of two new elevators.

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

Grant Agreement CCHER401	
Task	Claimed
Building and Facility Costs	\$ 369,923
Contingency Costs	10,000
Indirect/Administration Costs	1,077
Total Grant Expenditures	\$ 381,000
Match Funds	251,162
Total Project Expenditures	\$ 632,162