



Transmitted via e-mail

October 7, 2014

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

Dear Mr. Laird:

Final Report—Project Restore, Proposition 40 Grant Audit

The Department of Finance, Office of State Audits and Evaluations, has completed its interim audit of Project Restore's grant 08C2-2, 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 Project Restore. If you have any questions regarding this report, please contact Frances Parmelee, Manager, or Robert Scott, 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. Edward Avila, President, Project Restore
Mr. Kevin Jew, Chief Operating Officer, Project Restore
Ms. Nancy Lopez, Director of Special Projects, Project Restore

INTERIM AUDIT REPORT

Project Restore Proposition 40 Bond Program Grant Agreement 08C2-2



Hollyhock House
Source: Project Restore

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 for \$2.6 billion. The bond proceeds finance a variety of resource and cultural preservation programs.

Project Restore is a non-profit organization restoring and preserving buildings with civic and cultural significance in Los Angeles. The California Cultural and Historical Endowment (CCHE) awarded Project Restore a \$1.935 million Proposition 40 grant, in conjunction with other funding sources, to complete the seismic stabilization and restoration of the Hollyhock House, a historic Frank Lloyd Wright building on Hollywood Boulevard.¹

SCOPE

In accordance with the Department of Finance's bond oversight responsibilities, we audited grant agreement 08C2-2 for the period November 21, 2008 through June 30, 2013.²

The audit objectives were to determine whether Project Restore'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.

Project Restore'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 Project Restore's accounting records, invoices, and bank statements.
- Selected a sample of claimed expenditures and determined whether amounts claimed were allowable, grant-related, incurred within the grant period, supported by accounting records, and properly recorded.

¹ Excerpts from the grant agreement.

² An interim audit was conducted because audit fieldwork was performed prior to the grant end date of July 31, 2014.

- Evaluated whether other revenue sources were used to reimburse expenditures claimed for reimbursement under the grant agreement.
- Evaluated whether a sample of grant deliverables was met by conducting a site visit and reviewing supporting documentation to verify existence of restoration work performed.

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.

Additionally, in conducting our audit, we obtained an understanding of Project Restore’s internal controls, including any information systems controls, as they relate to and 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 the conduct of our audit and determined to be significant within the context of our audit objectives are included in this report.

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 08C2-2	
Task	Claimed³
Design and Survey	\$ 360,118
Testing, Permits, and Specialty Contractors	48,229
Project Management	295,500
Stabilization	168,640
Strengthening the Structure	127,440
Restoration of the Structure	332,586
Mechanical, Electrical, and Plumbing Systems	55,062
Total Grant Funds	\$1,387,575
Match Funds	1,604,888
Total Project Expenditures	\$2,992,463

³ CCHE awarded \$1.935 million and Project Restore has claimed \$1,387,575 as of June 30, 2013.