



April 26, 2010

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

Dear Ms. Aldrich:

Final Report—City of San Leandro, California State Library Grant Audit

The Department of Finance, Office of State Audits and Evaluations (Finance), has completed its audit of the City of San Leandro's (City) grant agreement 1026 for the period April 15, 2003 through June 30, 2009.

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.

In accordance with Finance's policy of increased transparency, 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 Frances Parmelee, Manager, or Rich Hebert, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by Richard R. Sierra for:

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

Enclosure

cc: Mr. Kenneth Joseph, P.E., City Engineer, City of San Leandro
Mr. Nick Thom, City Associate Engineer, City of San Leandro
Ms. Carla Rodriguez, Deputy Finance Director, City of San Leandro
Mr. Curtis Purnell, Bond Act Fiscal Officer, California State Library

A GRANT AUDIT

City of San Leandro
Washington Manor Branch Library
Grant Agreement 1026



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

MEMBERS OF THE TEAM

Frances Parmelee, CPA
Manager

Rich Hebert
Supervisor

Staff
Kenneth A. Rading

Final reports are available on our website at <http://www.dof.ca.gov>

You can contact our office at:

Department of Finance
Office of State Audits and Evaluations
300 Capitol Mall, Suite 801
Sacramento, CA 95814
(916) 322-2985

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 San Leandro (City) a \$3.8 million Proposition 14 grant, which represents 65 percent of the budgeted amount to fund construction of the Washington Manor Branch Library. The project is complete and became operational on February 3, 2007.

SCOPE

In accordance with an interagency agreement, the Department of Finance, Office of State Audits and Evaluations, conducted a compliance audit of grant agreement 1026 for the period April 15, 2003 through June 30, 2009.

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, vendor invoices, pay warrants, and bank statements.

- 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 March 2010 through April 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 of the grant agreement. No observation or questioned costs were identified. In addition, the City, which was required to provide matching funds equal to 35 percent of eligible expenditures, met the \$2 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 1026			
For the Period April 15, 2003 through June 30, 2009			
Expenditures	Claimed	Audited	Questioned
New Construction	\$2,493,481	\$2,493,481	\$ 0
Appraised Value of Land	604,500	604,500	0
Site Development	247,959	247,959	0
Site Demolition	80,116	80,116	0
Architectural and Engineering Fees	330,151	330,151	0
Construction Cost Estimator Fees	16,697	16,697	0
Geotechnical/Geohazard Reports	16,250	16,250	0
Hazardous Materials Consultant Fees	11,701	11,701	0
Total	\$3,800,855¹	\$3,800,855	\$ 0

¹ Amount includes final payment of \$380,086 representing the 10 percent withhold due from the California State Library.