



Transmitted via e-mail

May 29, 2013

Mr. Gerald Maginnity, Acting State Librarian  
California State Library  
P.O. Box 942837  
Sacramento, CA 94237-0001

Dear Mr. Maginnity:

**Interim Report—City of Oakland 81<sup>st</sup> Avenue Branch Library Grant Audit**

The Department of Finance, Office of State Audits and Evaluations, has completed its interim audit of the City of Oakland's (City) 81<sup>st</sup> Avenue Branch Library grant 3053 for the period September 14, 2005 through March 21, 2013.

The enclosed report is for your information and use. Because there were no audit observations or issues 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 City. If you have any questions regarding this report, please contact Susan Botkin, Manager, or Angie Williams, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

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

Enclosure

cc: Ms. Deborah A. Newton, Bureau Chief, California State Library  
Ms. Toña Paz, Fiscal Analyst, California State Library  
Mr. Tom Morgan, Fiscal Manager, City of Oakland  
Ms. Nila Wong, Administrative Services Manager, City of Oakland  
Mr. David Lau, Division Manager, City of Oakland  
Mr. Calvin Hao, Capital Improvement Project Coordinator, City of Oakland  
Mr. Lucius Hatcher, Management Assistant, City of Oakland  
Ms. Elma Flores, Budget & Grants Administrator, City of Oakland  
Mr. Gerry Garzon, City of Oakland Public Library

# INTERIM AUDIT REPORT

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City of Oakland  
81<sup>st</sup> Avenue Branch Library  
Proposition 14 Bond Program  
Grant Agreement 3053



City of Oakland 81<sup>st</sup> Avenue Branch Library

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

## **MEMBERS OF THE TEAM**

Susan Botkin, CGFM  
Manager

Angie Williams  
Supervisor

Staff  
Alan Garrett

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  
915 L Street, 6<sup>th</sup> Floor  
Sacramento, CA 95814  
(916) 322-2985

# BACKGROUND, SCOPE, METHODOLOGY AND RESULTS

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## **BACKGROUND**

In March 2000, California voters approved Proposition 14, the California Reading and Literacy Improvement and Public Library Construction and Renovation Bond Act, 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 2005, OLC awarded the City of Oakland (City) a \$6.51 million grant, which represents 65 percent of the budgeted amount to fund the 81<sup>st</sup> Avenue Branch Library project. The City is required to provide a match of 35 percent, or \$3.51 million, of the total project costs. The new 28,112 square foot Library provides a full array of library services. These services include an extensive collection, computer lab, technology access and training, community meeting space, homework and school support, literacy programs, resources for the disabled, and space for children, teens, and adults to use the library.<sup>1</sup>

## **SCOPE**

In accordance with an interagency agreement, the Department of Finance, Office of State Audits and Evaluations, conducted an interim audit of grant agreement 3053 for the period September 14, 2005 through March 21, 2013. An interim report is being issued because the term of the grant has been extended to October 31, 2013.

The audit objectives were to determine whether the City'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 City's management is responsible for ensuring accurate financial reporting and compliance with applicable laws, regulations, and grant requirements. OLC is responsible for the state-level administration of the bond program.

## **METHODOLOGY**

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

- Interviewed key personnel to obtain an understanding of the grant-related internal controls.

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<sup>1</sup> Source: grant application.

- Examined grant files, the grant agreement, and applicable policies and procedures.
- Reviewed the City's accounting records and vendor invoices.
- Examined the 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.
- Conducted a site visit to verify existence of the new library, including furnishings and equipment.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings 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 City was in compliance with the requirements of the grant agreement. No observations or questioned costs were identified. Additionally, the City met the match requirements by providing matching funds equal to 35 percent of eligible project expenditures. The Schedule of Claimed Amounts is presented in Table 1.

The grant agreement indicates the state shall withhold ten percent from each payment request, which shall be paid to the City when all four contractual procedures have been completed. As of March 21, 2013 only three of the four required procedures had been completed. The City has not been able to provide a Notice of Completion letter for the project due to a pending settlement agreement, and a labor violation investigation concerning a vendor who was contracted to work on the construction of this project. The outcome of the lawsuit will not have an impact on the eligible costs expended for the Library and will not affect the results of our audit.

**Table 1: Schedule of Claimed Amounts**

<b>Grant Agreement 3053 For the Period September 14, 2005 through March 21, 2013</b>	
<b>Category</b>	<b>Claimed<sup>2</sup></b>
New Construction	\$ 8,739,690
Architectural & Engineering Fees	1,280,841
Total Project Expenditures	\$10,020,531 <sup>3</sup>

<sup>2</sup> The OLC awarded \$6,513,345 and the City claimed that amount.

<sup>3</sup> Amount includes \$651,335 representing the ten percent retention withheld due from the OLC and \$3,507,186 in matching funds.