



Transmitted via e-mail

April 17, 2014

Mr. Greg Lucas, State Librarian
California State Library
P.O. Box 942837
Sacramento, CA 94237-0001

Dear Mr. Lucas:

Interim Report—City of San Diego Main Library Grant Audit

The Department of Finance, Office of State Audits and Evaluations, has completed its interim audit of the City of San Diego's (City) Main Library grant 2057 for the period December 10, 2003 through May 31, 2012.

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 Kimberly Tarvin, Manager, or Rick Cervantes, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

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

Enclosure

cc: Ms. Deborah A. Newton, Bureau Chief, California State Library
Ms. Toña Paz, Administration Officer, California State Library
Mr. Rolando Charvel, Interim City Comptroller, City of San Diego
Ms. Carole O'Hanlon, Supervising Accountant, City of San Diego
Mr. Nikki Lewis, Associate Engineer-Civil, City of San Diego

INTERIM AUDIT REPORT

San Diego Main Library Proposition 14 Bond Program Grant Agreement 2057



San Diego Main Library
Source: City of San Diego

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

MEMBERS OF THE TEAM

Kimberly Tarvin, CPA
Manager

Rick Cervantes, CPA
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Staff
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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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Office of State Audits and Evaluations
915 L Street, 6th Floor
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(916) 322-2985

BACKGROUND, SCOPE, METHODOLOGY AND RESULTS

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 2003, OLC awarded the City of San Diego (City) a \$20 million grant to fund the San Diego Main Library project. The City is required to provide match of \$10.8 million for the project. The new San Diego Main Library is a 498,000 square foot facility located in the East Village section of downtown San Diego.¹

SCOPE

In accordance with an interagency agreement, the Department of Finance, Office of State Audits and Evaluations, conducted an interim audit of grant agreement 2057 for the period December 10, 2003 through May 31, 2012. An interim report is being issued because the grant term ends August 1, 2014.

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 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 City's accounting records and vendor invoices

¹ Grant application and excerpts from www.sandiego.gov.

- 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.
- Conducted a site visit and reviewed supporting documentation to verify existence of the new library, including furnishings and equipment.

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 City's grant expenditures claimed complied with the grant agreement requirements. No observations or questioned costs were identified. Additionally, the City met the match requirements by providing matching funds totaling \$10,769,231. The Schedule of Claimed Amounts is presented in Table 1.

The grant agreement indicates the State shall withhold 10 percent from each payment request, which shall be paid to the Grantee when all contractual procedures have been completed. As of February 18, 2014 the City had not provided the Certificate of Occupancy letter for the project due to minor issues with a glass elevator. Once the City submits the Certificate of Occupancy to OLC, the required contract deliverables will be met.

Table 1: Schedule of Claimed Amounts

Grant Agreement 2057 For the Period December 10, 2003 through May 31, 2012	
Category	Claimed
New Construction	\$ 18,948,797
Appraised Value of Building	7,476,480
Site Development	3,524,259
Site Demolition	819,694
Total Project Expenditures	\$ 30,769,230²

² Amount includes \$2,000,000 representing the ten percent retention withheld and \$10,769,231 in matching funds.