



Transmitted via e-mail

May 6, 2011

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

Dear Ms. Aldrich:

Final Report—San Francisco Richmond Branch Library Expansion and Renovation Grant Audit

The Department of Finance, Office of State Audits and Evaluations (Finance), has completed its audit of the City and County of San Francisco's (City) grant agreement 3059 for the period June 10, 2005 through December 31, 2010. This grant was awarded by the California State Library under the Proposition 14 Bond Program.

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.

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 Jennifer Whitaker, Manager, or Rich Hebert, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by Rick Sierra for:

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

Enclosure

cc: Ms. Deborah A. Newton, Bureau Chief, Administrative Services, California State Library
Ms. Tona Paz, Bond Administration Officer, California State Library
Mr. John Doidge, Chief Financial Officer, San Francisco Public Library

AUDIT REPORT

City and County of San Francisco Richmond Branch Library Expansion and Renovation Grant Agreement 3059



Richmond Branch Library from east side (Ninth Avenue)

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

MEMBERS OF THE TEAM

Jennifer Whitaker
Manager

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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

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.

In 2005, OLC awarded the City and County of San Francisco (City) a \$5.96 million Proposition 14 grant, which represents up to 65 percent of the budgeted amount to fund the Richmond Branch Library project. The City is required to provide a match of 35 percent, or \$3.21 million, of the total project costs. The grant funds were used to renovate and expand the existing Richmond Library. The newly completed library is 13,820 square feet and is located within the Richmond District of San Francisco.¹

In addition to Proposition 14 funding, in November 2000, San Francisco voters approved Proposition A, a \$105.9 million general obligation bond measure to create the Branch Library Improvement Program. This local program was designed to enhance the seismic and technology capabilities of 19 branch libraries and the construction of five new branches.

SCOPE

In accordance with an interagency agreement, the Department of Finance, Office of State Audits and Evaluations, conducted an audit of grant agreement 3059 for the period June 10, 2005 through December 31, 2010.

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.

¹ Background information was obtained from the grant application.

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, and pay warrants.
- 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.
- 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 January 2011 through April 2011.

We conducted this performance audit 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 based on our audit objectives.

RESULTS

Based on the audit procedures performed, the City met the fiscal requirements for the grant agreement. No observations or questioned costs were identified. The City, which was required to provide matching funds equal to 35 percent of eligible expenditures, met the \$3.21 million matching fund requirement. The Schedule of Claimed, Audited, and Questioned Amounts is presented in Table 1.

The original grant budget included 16 budget categories; however, Budget Change Requests consolidated all the categories and budgeted amounts into one category—Remodeling Construction.

Table 1: Schedule of Claimed, Audited, and Questioned Amounts

Grant Agreement 3059			
For the Period June 10, 2005 through December 31, 2010			
Expenditures	Claimed	Audited	Questioned
Remodeling Construction	\$ 9,167,447	\$ 9,167,447	\$ 0
Total	\$ 9,167,447²	\$ 9,167,447	\$ 0

² Amount includes \$595,886 representing the 10 percent retention withheld by the California State Library and \$3,208,606 in matching funds.