



April 18, 2008

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

Dear Ms. Hildreth:

**Final Audit Report—County of San Diego, Library Construction Grant Agreement 1046**

Enclosed is the final report on our audit of the County of San Diego's (County) Library Construction grant agreement 1046. The Department of Finance, Office of State Audits and Evaluations (Finance), performed this audit of the California Reading and Literacy Improvement and Public Library Construction and Renovation Bond Act of 2000 (Proposition 14) funds in response to the Governor's directive. The audit included a review of revenue, expenditures, internal control, and compliance with certain agreement provisions.

Except as noted in the Finding and Recommendation section of this report, the County complied with the fiscal requirements of its grant agreement. The finding pertains to \$203,446 in questioned project costs. The county did not respond to the report.

In accordance with Finance's policy of increased transparency, this report will be placed on our website. We appreciate the county's assistance and cooperation with our audit.

If you have any questions regarding this report, please contact Kimberly Tarvin, Manager, or John Rogers, Supervisor, at (916) 322-2985.

Sincerely,

*Original signed by:*

David Botelho, Chief  
Office of State Audits and Evaluations

Enclosure

cc: Mr. Ron Roberts, Chairman, San Diego Board of Supervisors  
Mr. Curtis Purnell, Bond Act Fiscal Officer, California State Library, Bond Administration Office  
Ms. April Heinze, General Services Director, County of San Diego  
Mr. Tom Fincher, Project Management Chief, County of San Diego  
Mr. Daniel Knowlton, Budget Manager, County of San Diego  
Mr. Jose Aponte, Library Director, County of San Diego

# A FINAL GRANT AUDIT

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County of San Diego  
Julian Library  
Proposition 14 Bond Program  
Grant Agreement 1046  
For the Period May 28, 2003  
to July 30, 2006



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

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## PREFACE

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The Department of Finance, Office of State Audits and Evaluations, performed this audit of the California Reading and Literacy Improvement and Public Library Construction and Renovation Bond Act of 2000 (Proposition 14) funds in response to the Governor's directive, and under an interagency agreement with the California State Library, Bond Administration Office (BAO).

Grant agreement 1046 was awarded to the County of San Diego (County) for construction of the Julian Library. The \$2,490,634 Proposition 14 grant was expended during the period May 28, 2003 through July 30, 2006.

The objective of this audit was to determine the County's fiscal compliance with the aforementioned grant. The efficiency or effectiveness of the program operations or the quality of the completed project was not within the scope of this audit. The responsibility for financial reporting and compliance rests with the County.

This report is intended for the information and use of BAO and County management. However, this report is a matter of public record and its distribution is not limited.

### **STAFF:**

Kim Tarvin, CPA  
Manager

John Rogers, CPA  
Supervisor

Veronica Green  
Michael Bratman



## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying County of San Diego's (County) *Statement of Revenue and Expenditures* (Statement) for grant agreement 1046 for the period May 28, 2003 to July 30, 2006, as executed between the County and the California State Library. This Statement was prepared from the County's records and is the responsibility of its management. Our responsibility is to express an opinion on the Statement based on our audit.

We conducted our audit in accordance with *Generally Accepted Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to provide reasonable assurance as to whether the Statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statement. An audit also includes assessing the accounting principles used and significant estimates made by management. We believe our audit provides a reasonable basis for our opinion.

The accompanying Statement was prepared, as described in Note 4, for the purpose of determining the County's fiscal compliance with the aforementioned agreement. The Statement is not intended to be a presentation of the County's total revenue and expenditures.

As noted in the Finding and Recommendation section of this report, we are questioning \$203,446 of County's claimed costs.

In our opinion, except for the effects of the questioned costs discussed above, the Statement presents fairly, in all material respects, the claimed and audited revenue and expenditures for grant agreement 1046 for the period specified above, in conformity with accounting principles generally accepted in the United States of America.

### **Compliance**

As part of obtaining reasonable assurance about whether the Statement is free of material misstatement, we performed tests of the County's compliance with certain provisions of laws, regulations, contracts, grants, and noncompliance with which could have a direct and material effect on the determination of Statement amounts. However, providing an opinion on

compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance, as described in the Finding and Recommendation section of this report that is required to be reported under *Generally Accepted Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Statement, but not for the purpose of expressing our opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We noted a matter involving the County's internal control over financial reporting and its operation that we consider to be a material weakness as described in the Finding and Recommendation section of this report.

This report is intended solely for the information and use of California State Library, Bond Administration Office and County management, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Original signed by:*

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

January 22, 2008

STATEMENT OF REVENUE AND  
EXPENDITURES

**County of San Diego  
Julian Library  
Grant Agreement 1046  
For the Period May 28, 2003 to July 30, 2006**

	(State Share) <u>Claimed</u>	<u>Audited</u>	<u>Questioned</u>
<b>Revenue:</b>			
Proposition 14 Funds <sup>(1)</sup>	\$ 2,490,634	\$ 2,490,634	\$ 0
<b>Expenditures:</b>			
Appraised Value of Land	325,000	325,000	0
New Construction	1,394,250	1,253,162	141,088
Site Development	294,408	294,408	0
Site Demolition	4,659	4,659	0
Site Permits and Fees	29,575	13,769	15,806
Furnishings and Equipment Costs	137,150	137,150	0
Signage	10,400	10,400	0
Architectural and Engineering Fees	120,364	116,236	4,128
Construction Cost Estimator Fees	6,500	2,166	4,334
Interior Designer Fees	4,875	0	4,875
Geotechnical/Geohazard Reports	2,925	2,925	0
Construction/Project Management	82,865	82,865	0
Other Professional Fees	54,588	21,373	33,215
Local Project Administration Costs	<u>23,075</u>	<u>23,075</u>	<u>0</u>
Total Expenditures	<u>2,490,634</u>	<u>2,287,188</u>	<u>203,446</u>
<b>Excess of Revenue over Expenditures</b>	<u>\$ 0</u>	<u>\$ 203,446</u>	<u>\$ 203,446</u>

<sup>(1)</sup> Amount includes final payment of \$249,063 due from the California State Library.

The accompanying notes are an integral part of this statement.

# NOTES TO THE STATEMENT OF REVENUE AND EXPENDITURES

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**County of San Diego  
Julian Library  
Grant Agreement 1046  
For the Period May 28, 2003 to July 30, 2006**

**NOTE 1 Description of the Reporting Entity**

The County of San Diego (County) is a political subdivision of the State of California charged with general governmental powers and governed by an elected five-member Board of Supervisors. The County provides a full range of general government services including police protection, detention and correction, public assistance, health and sanitation, recreation, library, flood control, public ways and facilities, inactive waste management, airport management, and general financial and administrative support.

**NOTE 2 Program Information**

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 the OLC was reorganized as the Bond Administration Office (BAO), which now administers the program. The 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.

**NOTE 3 Description of Grant Agreement**

The OLC awarded the County a \$2,490,634 Proposition 14 grant for which expenditures were incurred during the period May 28, 2003 to July 30, 2008. This grant provides funding for the County's new Julian Library. The 9,573 square foot library is a joint venture facility, serving both County residents,

Julian Union School District, and Julian Union High School District students. The approved project budget was \$3.8 million, of which 65 percent, or approximately \$2.5 million, was eligible for reimbursement under the program.

The project has been completed and the Library was opened to the public in September 2004.

**NOTE 4      Summary of Significant Accounting Policies**

A. Basis of Presentation

The Statement was prepared from the County's accounts and financial transactions. The Statement summarizes the state-funded portion of the County's recorded project revenue and expenditures for the final audit period May 28, 2003 through July 30, 2006. The Statement summarizes the County's transactions pertaining to grant agreement 1046 only and is not intended to represent all of its financial activities.

B. Basis of Accounting

The County's governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recorded as it become measurable and available, and expenditures are recorded at the time the liabilities are incurred.

**NOTE 5      Matching Fund Requirements**

Grant agreement 1046 required the County to provide matching funds equal to 35 percent of eligible project expenditures, or approximately \$1.2 million. The County has met the required match.

## FINDING AND RECOMMENDATION

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During our audit, we noted reportable compliance and internal control weaknesses requiring corrective action. The following recommendation, if implemented, will improve the County of San Diego's (County) fiscal control and accountability for grant funds.

### **FINDING 1                      Questioned Project Costs \$203,446**

**Condition:**                      The County claimed \$203,446 in unsupported and ineligible library construction costs due to deficiencies noted in the County's record keeping and project billing practices.

The County's project billings were based on expenditure estimates without adjusting for actual construction costs incurred. As a result, not all project costs charged to the grant were supported by paid invoices. Ineligible construction costs included post-opening repair costs and other non-construction related expenditures.

**Criteria:**                      California Code of Regulations, Title 5, Section 20444 and grant agreement 1046, Sections 5 and 8, requires that grant payments be made only for eligible project costs that can be substantiated with expenditure records.

**Recommendation:**        The County should ensure that only actual verifiable costs are billed for reimbursement. The California State Library, Bond Administration Office will make the final determination on whether to recover or offset the questioned costs against any future claim for reimbursement.