



Transmitted via e-mail

May 1, 2014

Mr. John Laird, Secretary
California Natural Resources Agency
1416 Ninth Street, Suite 1311
Sacramento, CA 95814

Dear Mr. Laird:

Final Report—Oakland Museum of California Foundation, Proposition 40 Grant Audit

The Department of Finance, Office of State Audits and Evaluations, has completed its audit of the Oakland Museum of California Foundation's (OMCA) grant 05-A28 issued by the California Cultural and Historical Endowment.

The enclosed report is for your information and use. The OMCA's response to the report observation is incorporated into this final report. The OMCA agreed with our observation and we appreciate its willingness to implement corrective action. The observation in our report is intended to assist management in improving its program. This report will be placed on our website.

We appreciate the assistance and cooperation of OMCA. If you have any questions regarding this report, please contact Diana Antony, Manager, or Jon Chapple, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

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

Enclosure

cc: Mr. Patrick Kemp, Assistant Secretary for Administration and Finance, Natural Resources Agency
Ms. Julie Alvis, Deputy Assistant Secretary, Natural Resources Agency
Mr. Bryan Cash, Deputy Assistant Secretary, Natural Resources Agency
Ms. Mimi Morris, Executive Officer, California Cultural and Historical Endowment
Ms. Lori G. Fogarty, CEO and Director, Oakland Museum of California Foundation
Mr. Enrico Hernandez, Director, Institutional Support Center, Oakland Museum of California Foundation
Ms. Karen Webb, Controller, Oakland Museum of California Foundation
Mr. Mike Moye, Chair, Board of Trustees, Oakland Museum of California Foundation

Oakland Museum of California Foundation
Proposition 40 Bond Program
Grant Agreement 05-A28



Los Ranchos Exhibit
Source: Oakland Museum of California

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

MEMBERS OF THE TEAM

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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, SCOPE AND METHODOLOGY

BACKGROUND

California voters approved the California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Act of 2002 (Proposition 40) for \$2.6 billion. The bond proceeds finance a variety of resource programs.

The Oakland Museum of California is an interdisciplinary museum showcasing the art, history, and natural science of California. The Oakland Museum of California Foundation (OMCA) received a \$2,887,500 grant from the California Cultural and Historical Endowment (CCHE) to help renovate, reinstall and reinterpret the Gallery of California History—a permanent 28,000 square foot exhibition featuring new exhibits, technologies and multiple levels of interpretation.

SCOPE

In accordance with the Department of Finance's bond oversight responsibilities, we audited grant 05-A28 for the period March 1, 2007 through January 31, 2011.¹

The audit objectives were to determine whether OMCA'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.

OMCA management is responsible for ensuring accurate financial reporting and compliance with applicable laws, regulations, and grant requirements. CCHE and the California Natural Resources Agency are 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, 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 OMCA's accounting records, vendor invoices, and bank statements.
- Selected a sample of claimed expenditures to determine if costs were allowable, grant-related, incurred within the grant period, supported by accounting records, and properly recorded.

¹ The grant agreement specified a project completion date of January 31, 2011. However, CCHE issued a Letter of Acceptance for Project Completion on June 21, 2013.

- Performed procedures to determine if other revenue sources were used to reimburse expenditures already reimbursed with grant funds.
- Evaluated whether a sample of grant deliverables were met by reviewing supporting documentation and conducting a site visit to verify renovation of the Gallery of California History.

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.

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.

Except as noted below, OMCA's expenditures were in compliance with the requirements of the grant agreement and grant deliverables were completed as required. The Schedule of Claimed Amounts is presented in Table 1.

Table 1: Schedule of Claimed Amounts

Grant Agreement 05-A28	
Task	Claimed
Design Development Plans	\$ 181,920
Construction Documentation Plans	251,885
Demolition of Current Exhibits	64,410
HVAC	173,717
Flooring	231,084
Lighting/Electrical	635,856
Hollywood Exhibit	257,395
Agriculture and Water Exhibit	114,900
California Oil/Resources and the Impact of the Railroad Exhibit	64,097
First Peoples Exhibit	197,500
Colonial/Spanish/Mexican Era in California History Exhibit	172,900
WWI and building Modern California Exhibit	191,455
1906 San Francisco Earthquake Exhibit	115,840
Gold Rush Exhibit	169,120
Construction Administration	65,421
Total Grant Funds	2,887,500
Match Funds	2,887,500
Total Project Expenditures	\$ 5,775,000

Observation 1: Non-Compliance with Contracting Requirements

OMCA did not follow competitive bidding procedures for one of its contractors that performed work on the bond-funded project. Specifically, OMCA entered into several contracts (ranging from \$4,055 to \$43,460) with an electrical contractor without going through the competitive bidding process. The competitive bidding requirement ensures bond funds are administered fairly and reasonably in the public's best interest.

Exhibit D, Section 1, of the grant agreement states subcontractors not specifically identified in the grant application must be obtained using a competitive bidding process or the grantee must provide a satisfactory explanation and obtain CCHE staff approval for non-compliance with this requirement.

Recommendation:

Ensure compliance with all applicable contracting requirements in accordance with the grant agreement.



The Story of California. The Story of You.
Oakland Museum of California

March 26, 2014

The Oakland Museum of California regrets the violation of the competitive bidding requirement. The project was a complicated one in that the City of Oakland owns the building in which the project took place. The Oakland Museum of California Foundation, now the Oakland Museum of California (OMCA) operated and continues to operate the museum. The City of Oakland secured the electrical contractor in question through a competitive bidding process to perform over \$3.2 million in electrical projects as part of a larger, multi-year, museum renovation project. OMCA engaged the same electrical contractor to perform additional work on the project site, which totaled approximately \$155,000, without a competitive process. This was an inadvertent oversight.

The electrical contractor that was chosen had a strong knowledge of the building. The building has City-landmark status; it is an unusual all-concrete structure. The OMCA chose the electrical contractor because of their familiarity with the building and their existing relationship with the City of Oakland. Nonetheless, this led to a violation of the competitive bidding requirement. The OMCA regrets this error. In the future, the OMCA will ensure compliance with all applicable contracting requirements in accordance with grant agreements.

Sincerely,

Original Signed by
Enrico Hernández
Director, Institutional Support Center