



DEPARTMENT OF
FINANCE

ARNOLD SCHWARZENEGGER, GOVERNOR

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December 15, 2009

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

Dear Ms. Aldrich:

Final Report—City of Highland, California State Library Grant Audit

The Department of Finance, Office of State Audits and Evaluations (Finance), has completed its audit of the City of Highland's (City) Library Construction Grant Agreement 1023 for the period September 1, 2001 through September 30, 2007.

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.

In accordance with Finance's policy of increased transparency, 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 Frances Parmelee, Manager, or Rich Hebert, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

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

Enclosure

cc: Mr. Joe Hughes, City Manager, City of Highland
Mr. Chuck Dantuono, Director of Administrative Services, City of Highland
Mr. Curtis Purnell, Bond Fiscal Officer, California State Library

A GRANT AUDIT
City of Highland
Highland Branch Library
Grant Agreement 1023



Source: City of Highland

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

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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, 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.

The OLC awarded the City of Highland (City) a \$5.2 million Proposition 14 grant, which represents 65 percent of the budgeted amount to fund construction of the Highland Branch Library and Environmental Learning Center. The project, completed in May 2008, has replaced the existing public library with a new 30,048 square foot library.

SCOPE

In accordance with an interagency agreement, the Department of Finance, Office of State Audits and Evaluations, conducted a compliance audit of Grant Agreement 1023 for the period September 1, 2001 to September 30, 2007.

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.

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 the BAO.

- Reviewed the City's accounting records, vendor invoices, pay warrants, and bank statements.
- 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.
- Performed procedures to determine if other revenue sources were used to reimburse expenditures already reimbursed with grant funds.
- 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 August 2009 through November 2009.

This audit was conducted 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.

RESULTS

Based on the audit procedures performed, the City was in compliance with the applicable laws, regulations, and grant requirements. In addition, the City, which was required to provide matching funds equal to 35 percent of eligible expenditures, met the \$2.7 million matching funds requirement. The claimed, audited, and questioned amounts are presented in Table 1.

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

Grant Agreement 1023			
For the Period September 1, 2001 to September 30, 2007			
Expenditures	Claimed	Audited	Questioned
New Construction	\$7,386,803	\$7,386,803	\$ 0
Site Permits and Fees	37,960	37,960	0
Architectural and Engineering Fees	521,499	521,499	0
Total	\$7,946,262¹	\$7,946,262	\$ 0

¹ Amount includes final payment of \$516,507 representing the 10 percent withhold due from the California State Library.