



November 5, 2008

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

Dear Ms. Hildreth:

Final Audit Report—City of Long Beach, Mark Twain Library Grant Agreement 2019

Enclosed is the final report on our audit of the City of Long Beach (City), Mark Twain Library Construction grant agreement 2019. 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 receipts, expenditures, internal control, and compliance with certain agreement provisions.

The City complied with the fiscal requirements of the agreement, and its revenues and expenditures were fairly stated. 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, the final report will be placed on the Finance website.

We appreciate the City's assistance and cooperation with our audit. If you have any questions regarding this report, please contact Kimberly A. Tarvin, Manager, or Zachary Stacy, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

David Botelho, Chief
Office of State Audits and Evaluations

Enclosure

cc: Ms. Eleanore Schmidt, Director of Library Services, Long Beach Public Library, City of Long Beach
Ms. Lori Ann Farrell, Director/Chief Financial Officer, Department of Financial Management, City of Long Beach
Mr. Michael Conway, Director, Department of Public Works, City of Long Beach
Mr. David Nakamoto, Acting Controller, Long Beach Department of Financial Management, City of Long Beach
Mr. Curtis Purnell, Bond Act Fiscal Officer, Bond Administration Office, California State Library

A GRANT AUDIT

City of Long Beach
Mark Twain Library
Proposition 14 Bond Program
Grant Agreement 2019
For the Period March 1, 2002
through October 31, 2007



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

086120161DFR

October 2008

MEMBERS OF THE AUDIT TEAM

Kimberly A. Tarvin, CPA
Manager

Zachary Stacy
Supervisor

Staff

Patricia Roth

The final report will be available on our website at <http://www.dof.ca.gov>

You can contact our office at:

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PREFACE

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, and under an interagency agreement with the California State Library, Bond Administration Office.

We audited grant agreement 2019 awarded to the City of Long Beach (City) for construction of the Mark Twain Library. The \$6,366,730 Proposition 14 grant was expended during the period March 1, 2002 to October 31, 2007.

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

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



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying City of Long Beach (City) *Statement of Revenues and Expenditures* (Statement) for grant agreement 2019 for the period March 1, 2002 to October 31, 2007, as executed between the City and the California State Library. This Statement was prepared from the City'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 *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 that 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 City's fiscal compliance with the aforementioned agreement. The Statement is not intended to be a presentation of the City's total revenues and expenditures.

In our opinion, the *Statement of Revenues and Expenditures* presents fairly, in all material respects, the claimed and audited revenues and expenditures for the agreement number and period specified in paragraph one, 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 City's compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City'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 City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City'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 City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles such that there is more than a remote likelihood that a misstatement of the Statement that is more than inconsequential will not be prevented or detected by the City'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 Statement will not be prevented or detected by the City'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 did not identify any deficiencies in internal control over financial reporting that we consider to be a significant deficiency or material weakness as defined above.

This report is intended solely for the information and use of California State Library, Bond Administration Office, and City 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.

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

October 21, 2008

STATEMENT OF REVENUES AND
EXPENDITURES

**City of Long Beach
Mark Twain Library
Grant Agreement 2019
For the Period March 1, 2002 to October 31, 2007**

	<u>(State Share) Claimed</u>	<u>Audited</u>	<u>Questioned</u>
Revenues:			
Proposition 14 Funds*	\$6,366,730	\$6,366,730	\$ 0
Expenditures:			
Appraised Value of Land	676,000	676,000	0
New Construction	4,240,581	4,240,581	0
Site Development	439,657	439,657	0
Site Demolition	112,836	112,836	0
Permits and Fees	49,830	49,830	0
Construction Cost Estimator Fees	6,709	6,709	0
Architectural and Engineering Fees	405,978	405,978	0
Interior Design Fees	23,867	23,867	0
Library Consultant Fees	77,177	77,177	0
Local Project Administration Costs	25,406	24,406	0
Construction Project Management	298,614	298,614	0
Geotechnical/Geohazard Reports	<u>10,075</u>	<u>10,075</u>	<u>0</u>
Total Expenditures	6,366,730	6,366,730	0
 Excess of Revenues over Expenditures	 <u>\$ 0</u>	 <u>\$ 0</u>	 <u>\$ 0</u>

*Amount includes final payment of \$636,673 due from the California State Library.

The accompanying notes are an integral part of this statement.

NOTES TO THE STATEMENT OF REVENUES AND EXPENDITURES

**City of Long Beach
Mark Twain Library
Grant Agreement 2019
For the Period March 1, 2002 to August 31, 2007**

NOTE 1 Description of the Reporting Entity

The City of Long Beach (City), incorporated in 1897, is the fifth largest city in the State of California, located within Los Angeles County in Southern California. The City occupies a land area of approximately 50 square miles and serves a population of nearly 500,000. The City operates under a City Charter originally adopted in 1921 that established the current Mayor-Council-City Manager form of government. The City is divided into nine council districts, and provides a full range of municipal services. The City's Department of Financial Management, Department of Public Works, Department of Library Services, and Auditor's Office all played a role in administering this library construction project.

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 by awarding grants to local government entities.

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 City a \$6,366,733 Proposition 14 grant for the period August 30, 2004 to December 31, 2007. This grant provided funding for the construction of the Mark Twain Branch Library. The 16,155 square foot library is a joint venture facility, serving City residents and Long Beach Unified School District students. The BAO approved project costs of \$9,794,974, of which 65 percent, or \$6,366,733, was eligible for reimbursement under the program. The funds were expended between March 1, 2002 and October 31, 2007. The project was completed and the Library was opened to the public in August 2007.

NOTE 4 Summary of Significant Accounting Policies

A. Basis of Presentation

The Statement was prepared from the City's accounts and related financial transactions. The Statement summarizes the state-funded portion of the City's recorded project revenues and expenditures for the audit period March 1, 2002 to October 31, 2007. Although the grant term is through December 31, 2007, the last payment request included expenditures through October 31, 2007. The Statement summarizes the City's transactions pertaining to grant agreement 2019 only, and is not intended to represent all of its financial activities.

B. Basis of Accounting

The City records grant revenue and expenditures under the accrual basis of accounting. Under the accrual basis, revenues are recorded when earned and expenditures are recorded when a liability is incurred, regardless of the timing of related cash flows.

NOTE 5 Matching Fund Requirements

Grant Agreement 2019 required the City to provide matching funds equal to 35 percent of eligible project expenditures. The City met the required match of \$3,428,243.