



September 16, 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 Murrieta, California State Library Grant Audit

The Department of Finance, Office of State Audits and Evaluations (Finance), has completed its audit of the City of Murrieta's (City) Library Construction Grant Agreement 2067 for the period March 1, 2004 through July 31, 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. Curtis Purnell, Bond Act Fiscal Officer, Office of Library Construction, California State Library
Ms. Suzanne Wellcome, Finance Director, City of Murrieta
Ms. Loretta McKinney, Library Services Director, City of Murrieta

A GRANT AUDIT

City of Murrieta Library Grant Agreement 2067



Source: City of Murrieta Library

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

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August 2009

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

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 Murrieta (City) a Proposition 14 grant of \$6.4 million, which represents 65 percent of the budgeted amount to fund construction of the Murrieta Library. The City has an estimated 100,714 residents. The project, completed in December 2007, has provided the City with a new 24,951 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 2067 for the period March 1, 2004 through July 31, 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.

- Reviewed payroll documents.
- 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 April 2009 through August 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 applicable laws, regulations, and the grant requirements. In addition, the City, which was required to provide matching funds equal to 35 percent of eligible expenditures, met the \$3.4 million matching fund requirement. The claimed, audited, and questioned amounts are presented in Table 1.

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

Grant Agreement 2067			
For the Period March 1, 2004 through July 31, 2007			
Expenditures	Claimed	Audited	Questioned
New Construction	\$6,770,757	\$6,770,757	\$ 0
Value of Land	1,190,000	1,190,000	0
Site Permits and Fees	49,341	49,341	0
Furnishings	599,032	599,032	0
Architectural and Engineering Fees	841,945	841,945	0
Construction Cost Estimator Fees	29,951	29,951	0
Construction/Project Management	285,987	285,987	0
Other Professional Fees	38,643	38,643	0
Total	\$9,805,656¹	\$9,805,656	\$ 0

¹ Amount includes final payment of \$637,368 representing the 10 percent withhold due from the California State Library.