



County of San Diego, California

Auditor and Controller

*Final
Report*

Kearny Komet Foundation

Office of **A**udits & **A**dvisory **S**ervices

September 2008
Report No. A09-008



COUNTY OF SAN DIEGO

INTER-DEPARTMENTAL CORRESPONDENCE

September 30, 2008

TO: Donald F. Steuer
Chief Financial Officer

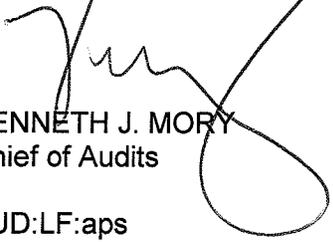
FROM: Kenneth J. Mory
Chief of Audits

FINAL REPORT: KEARNY KOMET FOUNDATION AUDIT

Enclosed is our report on the Kearny Komet Foundation Audit. The report includes audit findings and other pertinent information.

Thank you for the opportunity to be of service to your office.

If you have any immediate concerns about the report, please contact me at (858) 495-5662.


KENNETH J. MORY
Chief of Audits

AUD:LF:aps

Enclosure

c: Tracy M. Sandoval, Assistant Chief Financial Officer/Auditor and Controller
Ebony N. Shelton, Group Finance Director, Finance and General Government Group

INTRODUCTION

The County of San Diego's (County) fiscal condition has enabled it to reinvest taxpayer funds in the community to benefit the public by providing grant funds to community-based organizations that assist in meeting the social, cultural, and recreational need of County residents. These funds are provided to organizations through the Community Projects Program (CPP). This program is a discretionary program wherein each Board member recommends the allocation of grant monies based on proposals offered by not-for-profit organizations.¹ All proposed grant awards are voted on by the Board as a whole as they are periodically brought forward throughout the year to scheduled Board meetings. The Auditor and Controller's Office of Financial Planning (OFP) acts as the CPP's fiscal agent for the Board of Supervisors.

BACKGROUND

On February 26, 2008, the Board of Supervisors allocated \$40,000 from the CPP budget to the Kearny Komet Foundation (KKF) for the purchase and installation of bleachers on the visitor's side of the football stadium at Kearny High School in Linda Vista.

The Auditor and Controller (A&C) requested a contract compliance audit of the KMLL grant agreement.

AUDIT SCOPE AND LIMITATIONS

The objective of the audit was to evaluate KKF's compliance with grant agreement terms and conditions. While the deadline for the submission of grant related expenses documentation is on May 21, 2009; the scope of the audit was limited to expenditures incurred to date to determine their appropriateness and validity and to ensure the existence of adequate documentation in accordance with grant requirements.

This audit was conducted in accordance with auditing standards prescribed by the Institute of Internal Auditors, Inc., as required by California Government Code, Section 1236.

METHODOLOGY

OAAS implemented a multi-faceted methodology to conduct the audit. The following bullets briefly highlight the methods used:

- Reviewed the terms of the grant agreement with KKF;
- Conducted interviews with the Office of Financial Planning (OFP) staff, Board of Supervisor's Office staff, and KKF Board Members; and
- Obtained grant related expenditure invoices, cancelled checks, and bank statements from the KKF Board President and Treasurer to verify grant funding deposit and disbursements.

¹ At the beginning of each fiscal year, the Board of Supervisors budgets \$10 million in the General Fund for Community Project Grants. Each board office may allocate as much as \$2 million annually. Unused balances at the end of the fiscal year revert to the General Fund and are not carried over to the next fiscal year.

AUDIT RESULTS

Finding: Instance of Grant Funds Used for Purposes not Specified in the Agreement

OAAS found that KKF spent \$14,400 of grant funds on the purchase of bleachers for the visitor's side of the football stadium. While this expenditure is allowable according to the agreement and the documentation provided by KKF is adequate and validates such expenditure, OAAS found an instance of additional funds used for purposes not specified in the grant agreement.

Specifically, the KKF Board President informed OAAS that they used \$2,841 to purchase a storage container. According to KKF staff, the purchase of the container to store track equipment on the football field was necessary to make room for the installation of the bleachers; however, the grant agreement clearly specifies that grant funds should only be used for the purchase and installation of bleachers.

CONCLUSION

The County should require the KKF to return all funds not authorized by specified agreement. Specifically, they should return the \$2,841 used to purchase the storage container and any of the \$22,759 not used by May 21, 2009, as required by the grant agreement.

COMMENDATION

The Office of Audits & Advisory Services commends and sincerely appreciates the courteousness and cooperation extended by Kearny Komet Foundation Board Members, the Board of Supervisor's Office, and the Office of Financial Planning officers and staff throughout this audit.

AUDIT TEAM

Laura R. Flores, Senior Auditor, CIA, CGAP