

CITY OF CULVER CITY  
City of Culver City, California

Single Audit Report on  
Federal Awards

Year ended June 30, 2010

CITY OF CULVER CITY  
Single Audit Report on Federal Awards  
Year ended June 30, 2010

TABLE OF CONTENTS

	<u>Page</u>
Report on Compliance and Other Matters and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Report on Compliance with Requirements that could have a Direct and Material Effect on each Major Program, Internal Control over Compliance and on the Schedule of Expenditures of Federal Awards in Accordance with OMB Circular A-133	3
Schedule of Expenditures of Federal Awards	5
Notes to the Schedule of Expenditures of Federal Awards	7
Schedule of Findings and Questioned Costs	8
Summary Schedule of Prior Audit Findings	10



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City Council  
City of Culver City, California

**REPORT ON COMPLIANCE AND OTHER MATTERS AND ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING  
STANDARDS***

We have audited the basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Culver City, California (the City) as of and for the year ended June 30, 2010, and have issued our report thereon dated December 7, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its 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 financial 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 opinions on the financial statements, but not for the purpose of expressing an 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 deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all the deficiencies in the internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

City Council  
City of Culver City, California  
Page Two

However, we noted other matters of internal control over financial reporting which we have reported to management in a separate letter dated December 7, 2010.

This report is intended solely for the information of the City Council, management of the City of Culver City, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Mayer Hoffman McCann P.C.*

Irvine, California  
December 7, 2010



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City Council  
City of Culver City, California

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A  
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM, INTERNAL  
CONTROL OVER COMPLIANCE AND ON THE SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS IN ACCORDANCE WITH OMB CIRCULAR A-133**

Compliance

We have audited the compliance of City of Culver City (the City) with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2010-1.

### **Internal Control Over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A 133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

### **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2010, and have issued our report thereon dated December 7, 2010. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the City Council, management of the City of Culver City, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Mayer Hoffman McCann P.C.*

Irvine, California  
December 7, 2010, except for the Schedule of Expenditures of Federal Awards, as to which the date is December 29, 2010

CITY OF CULVER CITY

Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

Federal Grantor/ Pass-through Grantor/ Program Title	Federal Domestic Assistance Number	Program Identification Number	Program Expenditures
Corporation for National and Community Service			
Direct assistance:			
Retired and Senior Volunteer Program	94.002	06SRPCA014	\$ 42,131
Subtotal - Corporation for National and Community Service			<u>42,131</u>
U.S. Department of Health and Human Services			
Passed through the Los Angeles County Department of Community and Senior Citizens' Services - Special Programs for the Aging:			
Nutrition Program for the Elderly	93.053	58247	21,163
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	58247	906
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	58247	<u>173,524</u>
Subtotal - U.S. Department of Health and Human Services			<u>195,593</u>
U.S. Department of Justice			
Direct assistance:			
Bulletproof Vest Partnership Program	16.607	2004BUBX04022255	11,738
Asset Seizure Program	16.000	CA0191800	359,875 *
Passed through the City of Los Angeles:			
Edward Byrne Justice Assistance Grant	16.738	2009-DJ-BX-0471	19,821
Passed through the County of Los Angeles:			
COPS Tech - Police	(ARRA) 16.710	CA 01918	44,027
COPS Tech - Fire	(ARRA) 16.710	CA203ZZ	<u>222,389</u>
Subtotal - U.S. Department of Justice			<u>657,850</u>
U.S. Department of Homeland Security			
Passed through the City of Los Angeles:			
Homeland Security Grant Program	97.067	2008-0006	539,599 *
Passed through the United Way of America:			
Emergency Food and Shelter National Board Program	(ARRA) 97.114	069500-420	<u>1,684</u>
Subtotal - U.S. Department of Homeland Security			<u>541,283</u>

CITY OF CULVER CITY

Schedule of Expenditures of Federal Awards

(Continued)

Federal Grantor/ Pass-through Grantor/ Program Title	Federal Domestic Assistance Number	Program Identification Number	Program Expenditures
U.S. Department of Transportation			
Direct assistance:			
Federal Transit Capital and Operating Assistance Formula Grants	20.507	CA-90-Y189	67,868
	20.507	CA-90-Y642	82,400
Passed through the California Department of Transportation:			
Federal Highway Administration (FHWA) - Highway Planning and Construction			
Grand & Overlay Culver Blvd Resurfacing	20.205	5240024	172,983 *
Washington Blvd Resurfacing	20.205	5240023	552,401 *
Landscape Improvement to Ballnoa Creek Bikeway	20.205	5240021	992 *
Federal Transit Administration Public Transportation Research SAFETEA-LU Transportation Enhancement Program	20.514	07-5240R	95,676
Passed through University of California, Berkeley Traffic Safety Center:			
National Highway Traffic Safety Administration:			
Sobriety Checkpoint	20.600	SCI10101	39,450
Click it or Ticket Seat Belt Enforcement	20.600	CT10101	9,824
Passed through the Office of Traffic Safety			
National Highway Traffic Safety Administration:			
DUI Checkpoints & Patrols	20.600	AL0964	<u>76,027</u>
Subtotal - U.S. Department of Transportation			<u>1,097,621</u>
U.S. Department of Housing and Urban Development			
Direct assistance:			
Section 8 Housing Choice Vouchers	14.871	CA110VOOF06	1,997,485 *
Passed through the Community Development Commission of Los Angeles County:			
Community Development Block Grants/Entitlement Grants:	(ARRA) 14.253	REC023-09	4,600 *
	(ARRA) 14.253	REC027-09	34,474 *
	14.218	D98993-98	180,850 *
	14.218	D96189-09	45,289 *
	14.218	D96183-09	<u>30,193 *</u>
Subtotal - U.S. Department of Housing and Urban Development			<u>2,292,891</u>
U.S. Department of the Interior			
Passed through the State of California Department of Parks and Recreation - Land and Water:			
Outdoor Recreation-Acquisition, Development and Planning	15.916	P835	<u>76,701</u>
Subtotal - U.S. Department of the Interior			<u>76,701</u>
Total federal financial assistance			<u>\$ 4,904,070</u>

\* - Major program

See accompanying Notes to the Schedule of Expenditures of Federal Awards

CITY OF CULVER CITY

Notes to the Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

(1) Summary of Significant Accounting Policies Applicable to the Schedule of Federal Awards

(a) Scope of Presentation

The accompanying schedule presents only the expenditures incurred by the City of Culver City that are reimbursable by agencies providing federal assistance. For the purposes of this schedule, federal financial assistance includes both federal financial assistance received directly from a federal agency, as well as federal funds received indirectly from a non-federal agency or other organization. Only the portion of program expenditures reimbursable with such federal funds are reported in the accompanying schedule. Program expenditures in excess of the maximum federal reimbursement authorized or the portion of the program expenditures that were funded with state, local or other non-federal funds are excluded from the accompanying schedule.

(b) Basis of Accounting

The expenditures included in the accompanying schedule were reported on the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are recognized when the agency becomes obligated for payment as a result of the receipt of the related goods and services. Expenditures reported include any property or equipment acquisitions incurred under the federal program.

(c) Subrecipients

During the fiscal year ended June 30, 2010, the City had no subrecipients.

CITY OF CULVER CITY  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2010

(A) Summary of Auditors' Results

1. An unqualified report was issued by the auditors on the financial statements of the auditee.
2. There were no material weaknesses in internal control over financial reporting based upon our audit of the financial statements of the auditee.
3. The audit disclosed no noncompliance which is material to the financial statements of the auditee.
4. There were no material weaknesses in internal control over the major programs of the auditee.
5. The auditor's report on compliance for its major programs indicated one compliance deficiency in finding 2010-01.
6. The audit disclosed audit findings required by the auditors to be reported under paragraph .510(a) of OMB Circular A-133.
7. The major programs of the auditee were as follows:
  - U.S. Department of Justice – Asset Seizure Program, CFDA No 16.000
  - US Department of Homeland Security – Home Land Security Grant Programs, CFDA No 97.067
  - US Department of Transportation – Federal Highway Administration, CFDA No 20.205
  - US department of Housing and Urban Development – Section 8 Housing Choice Vouchers, CFDA Nos 14.871
  - U.S. Department Housing and Urban Development – Community Development Block Grants, CFDA Nos 14.253 & 14.218.
8. The dollar threshold used to distinguish Type A and Type B programs was \$300,000.
9. The auditee met the criteria of OMB Circular A-133 to be classified as a low risk auditee for the year ended June 30, 2010 for the purpose of determining major programs.

(B) Findings Related to the Financial Statements which are Required to be Reported in Accordance with GAGAS

There are no auditors' findings to be reported in accordance with GAGAS.

(C) Findings and Questioned Costs for Federal Awards as Defined in Paragraph .510(a) of OMB Circular A-133

There was one auditors' finding to be reported in accordance with paragraph .510(a) at OMB Circular A-133; see item 2010-1 on the following page.

## CITY OF CULVER CITY

### Summary Schedule of Findings and Questioned Costs

Year ended June 30, 2010

#### **2010-1 Non-compliance with Davis Bacon**

During the year the City used Asset Seizure monies to fund a construction project, on which competitive bidding procedures were waived by City Council. Per the Department of Justice Office of Justice Programs Financial Guide, Chapter 10 Procurement Under Awards of Federal Assistance it states "All procurement transactions, whether negotiated or competitively bid and without regard to dollar value, shall be conducted in a manner so as to provide maximum open and free, and fair competition." The City is in noncompliance with this requirement.

#### Recommendation

We recommend that the City provide open, free and fair competition for all procurement transactions, on which federal funds are being utilized.

#### Management's Response

In August 2006, a Request for Proposals was released to solicit bids for the design-build of the Police Department Firing Range rehabilitation project. Three proposals were received and in January 2007 the City Council awarded a contract to Fast-Track Construction Corporation. Fast-Track had assembled a team of companies to complete the project. During the course of the project, unexpected difficulties occurred, and on August 25, 2008, the City Council approved the termination of the contract with Fast-Track. Through further work with the design consultant from the original team, and in consultation with the Police Department, it was determined that one of the companies from the original team (SuperTrap, Inc.) was the only company that could provide and install the bullet trapping system to complete the range. Because SuperTrap was one of the companies that was part of the original contract which had been competitively bid, a recommendation was made by staff, and approved by City Council at a Public Hearing, to award a contract to SuperTrap to complete the Firing Range and to waive the competitive bidding requirements in accordance with the Culver City Municipal Code.

Culver City management understands and agrees with the concept of open, free and fair competition. We believe in this instance we met the spirit of this requirement by publicly bidding out the original contract for this project and subsequently using one of the firms that were part of the originally awarded contract to complete the work. The work to complete the project was highly specialized. The decision to waive competitive bidding for the final work on the project was made at a formally noticed Public Hearing, in which the public or other interested parties could address the City Council.

The City will continue with its commitment to open, free and fair competition in future projects. We will work to ensure all requirements are met in the use of federal funding.

CITY OF CULVER CITY  
Summary Schedule of Prior Audit Findings  
Year ended June 30, 2010

There were no audit findings for the year ended June 30, 2009 that required follow-up during the year ended June 30, 2010.