

City of Culver City

Culver City, California

Single Audit and Independent Auditors' Reports

For the Year Ended June 30, 2017



**City of Culver City
Single Audit Report
For the Year Ended June 30, 2017**

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

Independent Auditors' Report

To the Honorable Mayor and the Members of City Council
of the City of Culver City
Culver City, California

We have audited, in accordance with the 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, the 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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 29, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weakness and significant deficiencies.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness as item number 2017-001.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency as item number 2017-002.

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To the Honorable Mayor and the Members of City Council
of the City of Culver City
Culver City, California
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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*.

The City's Response to Findings

The City's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "The Per Group, LLP". The signature is written in a cursive, flowing style.

Santa Ana, California
January 29, 2018



REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditors' Report

To the Honorable Mayor and the Members of City Council
of the City of Culver City
Culver City, California

Report on Compliance for Each Major Federal Program

We have audited the City of Culver City, California's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2017. The City's major federal programs are identified in the summary of the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Those standards and the Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance 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, 2017.

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Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2017-003. Our opinion on each major federal program is not modified with respect to these matters.

The City's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did identify certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be a material weakness as item 2017-003.

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

To the Honorable Mayor and the Members of City Council
of the City of Culver City
Culver City, California
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Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the 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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We have issued our report thereon dated January 29, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

A handwritten signature in black ink that reads "The PwC Group, LLP". The signature is written in a cursive, flowing style.

Santa Ana, California
March 27, 2018, except for the Schedule of Expenditures of Federal Awards, which is as of January 29, 2018.

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City of Culver City
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Federal Grantor/Pass - Through Grantor Program Title	Federal CFDA Number	Agency or Pass - Through Number	Federal Expenditures	Expenditures Provided to Subrecipients
U.S. Department of Housing and Urban Development				
CDBG - Entitlement Grants Cluster:				
<i>Passed through the Community Development Commission of Los Angeles County:</i>				
Community Development Block Grant - Entitlement Grants	14.218	D96189-15	\$ 28,060	\$ -
Community Development Block Grant - Entitlement Grants	14.218	601788-16	159,010	-
Total CDBG - Entitlement Grants Cluster			187,070	-
Housing Vouchers Cluster:				
<i>Direct Program:</i>				
Section 8 Housing Choice Vouchers	14.871	CA 110VO0116	1,508,020	-
Total U.S. Department of Housing and Urban Development			1,695,090	-
U.S. Department of Justice				
<i>Direct Programs:</i>				
Bulletproof Vest Partnership Program	16.607	2015 BVP	10,022	-
Edward Byrne Memorial Justice Assistance Grant	16.738	2016-DJ-BX-0056	13,579	-
Paul Coverdell Forensics Science	16.742	2015-CD-BX-0071	200	-
Equitable Sharing Program	16.922	CA 0191800	370,904	-
Total U.S. Department of Justice			394,705	-
U.S. Department of Transportation				
Highway Planning and Construction Cluster:				
<i>Passed through the State of California Department of Transportation:</i>				
Highway Planning and Construction - Higuera Street Bridge Program	20.205	5240026	16,653	-
Highway Planning and Construction - Citywide Bridge Program	20.205	BPMPL 5240033	5,546	-
Highway Planning and Construction - Sawtelle Blvd Resurfacing	20.205	STPL 5240031	220	-
Highway Planning and Construction - Traffic Signal Left Turn Signal	20.205	HSIP 6-07-00	907,683	-
Highway Planning and Construction - Safety Rouets to School	20.205	5240030	160,829	-
Highway Planning and Construction - Real Time Motorist Information System	20.205	5240025	9,620	-
<i>Passed through the Los Angeles County Metropolitan Transit Authority:</i>				
Highway Planning and Construction - CicLAvia Open Street Event	20.205	CYC16002	192,798	-
Total Highway Planning and Construction Cluster			1,293,349	-
Federal Transit Cluster:				
<i>Direct Programs:</i>				
Federal Transit Capital and Operating Assistance Formula Grants (5307)	20.507	CA-90-Z069	488,407	-
Federal Transit Capital and Operating Assistance Formula Grants (5307)	20.507	CA-90-Z252	3,246,681	-
Federal Transit Capital and Operating Assistance Formula Grants (5307)	20.507	CA-2016-037	3,232,179	-
Total Federal Transit Cluster			6,967,267	-

(Continued)

City of Culver City
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2017

Federal Grantor/Pass - Through Grantor Program Title	Federal CFDA Number	Agency or Pass - Through Number	Federal Expenditures	Expenditures to Subrecipients
<u>U.S. Department of Transportation (Continued)</u>				
Highway Safety Cluster:				
<i>Passed through California Office of Traffic Safety:</i>				
State and Community Highway Safety - 2016	20.600	PT1638	10,194	-
State and Community Highway Safety - 2017	20.600	PT1729	9,453	-
Total Highway Safety Cluster			19,647	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated Program:				
<i>Passed through California Office of Traffic Safety:</i>				
Minimum Penalties for Repeat Offenders for Driving While Intoxicated - 2016	20.608	PT1638	15,580	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated - 2017	20.608	PT1729	4,913	-
Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated			20,493	-
Total U.S. Department of Transportation			8,300,756	-
<u>U.S. Department of Treasury</u>				
<i>Passed through City of La Verne</i>				
Asset Seizure Program	21.000	CA 0191800	64,234	-
Total U.S. Department of Treasury			64,234	-
<u>U.S. Department of Health and Human Services</u>				
<i>Passed through the Los Angeles County Department of Community and Senior Citizens' Services:</i>				
Special Programs for the Aging - Title III, Part B - Support Services	93.044	ENP-162004	968	-
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	ENP-162004	227,767	-
Total U.S. Department of Health and Human Services			228,735	-
<u>U.S. Department of Homeland Security</u>				
<i>Passed through the County of Los Angeles:</i>				
Emergency Management Performance Grant (EPMG)	97.042	2015 EMPG	27,416	
Emergency Management Performance Grant (EPMG)	97.042	2016 EMPG	8,191	-
Total Emergency Management Performance Grant (EPMG)			35,607	-
<i>Direct Program:</i>				
Fire Prevention and Safety Grant	97.047	EMW-2015-FP-00349	8,975	-
Total U.S. Department of Homeland Security			44,582	-
Total Expenditures of Federal Awards			\$ 10,728,102	\$ -

(Concluded)

City of Culver City
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Note 1 – Reporting Entity

The financial reporting entity, as defined by the Governmental Accounting Standard Board (“GASB”) Codification, consists of the primary government, which is the City of Culver City, California (the “City”), organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the City’s financial statements to be misleading or incomplete.

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting

Funds received under the various grant programs have been recorded within the General Fund, enterprise funds and special revenue funds of the City. The City utilizes the modified accrual basis of accounting for the General Fund and special revenue funds and accrual basis of accounting for the enterprise funds. The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the “Uniform Guidance”). Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in, the preparation of the City’s basic financial statements.

Schedule of Expenditures of Federal Awards

The accompanying Schedule presents the activity of all federal financial assistance programs of the City. Federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through the Community Development Commission of Los Angeles County, State of California Department of Transportation, Los Angeles County Metropolitan Transit Authority, State of California Office of Traffic Safety, City of La Verne, Los Angeles County Department of Community and Senior Citizens’ Services, and County of Los Angeles is included in the Schedule. The Schedule was prepared from only the accounts of various grant programs and, therefore, does not present the financial position or results of operations of the City.

Indirect Cost Rate

The City did not elect to use the 10% de minimis cost rate.

City of Culver City
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

Section I – Summary of Auditor’s Results

Financial Statements

Type of report the auditors issued on whether the financial statements audited were prepared in accordance with GAAP: **Unmodified**

Internal control over financial reporting:

- Material weakness(es) identified? **2017-001**
- Significant deficiency(ies) identified? **2017-002**

Noncompliance material to financial statements noted? **No**

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? **2017-003**
- Significant deficiency(ies) identified? **None Reported**

Type of auditor’s report issued on compliance for major programs **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **No**

Identification of major federal programs:

CFDA Numbers	Major Program or Cluster	Federal Expenditures
16.922	Equitable Sharing Program	\$ 370,904
20.507	Federal Transit Cluster	6,967,267
	Total Expenditures of All Major Federal Programs	\$ 7,338,171
	Total Expenditures of Federal Awards	\$ 10,728,102
	Percentage of Total Expenditures of Federal Awards	68.40%

Dollar threshold used to distinguish between type A and type B programs: **\$750,000**

Auditee qualified as low-risk auditee in accordance with 2 CFR 200.520? **Yes**

City of Culver City
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2017

Section II – Financial Statement Findings

A. Current Year Findings – Financial Statement Audit

Finding 2017-001 Prior Period Adjustments

Criteria:

Management is responsible for the preparation and fair presentation of its financial statements, including notes disclosures, in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. As part of satisfying that responsibility, staff should possess that skills, knowledge, and experience necessary to complete year-end close and diligently employ that skills, knowledge, and experience to produce reliable and accurate financial information.

Based on Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) framework, the following are some of the internal control components and principles that stress the need for policies and procedures to promote effective internal control over financial reporting for an entity.

- *Control Environment* – Establish structures, reporting lines, authorities and responsibilities
- *Control Activities* – Select and develop control activities that mitigate risks through policies and procedures
- *Information and Communication* – Communicate internal control information internally

In essence, accounting policies and procedures would aid the Finance Department in providing training for accounting personnel, communicating and providing a source of reference to approved policies, and maintaining consistency of recording financial transactions.

Condition:

The City recorded prior period adjustments in the amount of \$3,850,041 to the Cooperative Projects Fund to correct the loans receivable that was not properly recorded in the prior year.

Cause:

Lack of proper communication between the Housing Department and the Finance Department over the completeness and accuracy of the loans receivable accounting records led to a material fund balance restatement of \$3,850,041 in the Cooperative Projects Fund.

Effect:

A material fund balance restatement of \$3,850,041 was made to correct the general ledger for previously unrecorded loans receivable in the Cooperative Projects Fund. The July 1, 2016 fund balance was adjusted from \$6,313,350 to \$10,163,391.

Recommendation:

We recommended that the City establish and implement a formal review process and proper communication channels between departments to ensure the completeness and accuracy of the accounting records.

City of Culver City
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2017

Section II – Financial Statement Findings (Continued)

A. Current Year Findings – Financial Statement Audit (Continued)

Finding 2017-001 Prior Period Adjustments (Continued)

Views of Responsible Officials and Planned Corrective Actions:

The original entry was inadvertently recorded as an expense instead of loan receivable. The agreement stipulated that reimbursement is contingent upon gross commercial revenue exceeding annual commercial operating expenses as determined by a certified statement. The Borrower has not yet reimbursed the loan.

Departments conducted a formal review of the process and communicated corrective actions by properly reclassifying the loan as a receivable along with accrued interest.

Sol Blemenfeld, Community Development Director will be responsible for the planned corrective actions and the expected implementation date is June 30, 2018.

City of Culver City
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2017

Section II – Financial Statement Findings (Continued)

A. Current Year Findings – Financial Statement Audit

Finding 2017-002 Internal Control Over Financial Reporting

Criteria:

Management is responsible for designing, implementing, and maintaining appropriate internal control over financial reporting and compliance.

Internal control is defined as a process implemented and monitored by the City Council, management, and other personnel. The Internal Control System should be designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Reliability of financial reporting
- Effectiveness and efficiency of operations, and
- Compliance with applicable laws and regulations.

The Internal Control Framework would include establishing or enhancing guidance in the following areas:

- *Control Environment* sets the tone of an organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure.
- *Risk Assessment* is the entity's identification and analysis of relevant risks to achievement of its objectives, forming a basis for determining how the risks should be managed.
- *Control Activities* are the policies and procedures that help ensure that management directives are carried out.
- *Information and Communication* systems support the identification, capture, and exchange of information in a form and time frame that enable people to carry out their responsibilities.
- *Monitoring* is a process that assesses the quality of internal control performance over time.

Condition:

We noted internal control deficiencies across various accounting transaction cycles, which included, but were not limited to, the journal entries, budget control, revenues and cash receipts, accounts payable and expenditures, payroll and human resources, and risk management systems.

Context:

Statistical sampling was performed during internal control testing to draw sample selections. Lack of reviewing and monitoring processes might lead to misstatement to the financial statements.

Effect:

The City must establish an effective system of internal controls that would provide reasonable assurance regarding the City's objectives. An effective system of internal control ensures achieving the City's objective and may relate to all three objectives presented above.

City of Culver City
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2017

Section II – Financial Statement Findings (Continued)

A. Current Year Findings – Financial Statement Audit (Continued)

Finding 2017-002 Internal Control Over Financial Reporting (Continued)

Cause:

The deficiencies noted involved a lack of policies and procedures that govern the City’s financial reporting process and system. The decentralized process inhibits Finance from being aware of all transactions taking place in a timely fashion to account for them in the accounting records and financial reports.

Recommendation:

We recommended that the City follow the adopted policies and procedures in order to enhance the internal control over financial reporting and to improve the communication among all departments throughout the City.

Views of Responsible Officials and Planned Corrective Actions:

The City engaged an external audit firm to conduct a thorough review of its internal controls and enterprise risk assessments. Thus far, two phases have been completed, and sometime in 2018, they’ll begin the fieldwork for phase three. Once this process is complete, the City will then modify its relevant policies and procedures to establish adequate controls and adhere to best practices.

John Nachabr, City Manager will be responsible for the planned corrective actions and the expected implementation date is June 30, 2018.

City of Culver City
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2017

Section II – Financial Statement Findings (Continued)

B. Prior Year Findings – Financial Statement Audit

Finding 2016-001 Internal Control Over Financial Reporting

Condition:

We noted internal control deficiencies across various accounting transaction cycles, which included, but was not limited to, the journal entries, budget control, revenues and cash receipts, accounts payable and expenditures, payroll and human resources, and risk management systems.

Recommendation:

It was recommended that the City follow the adopted policies and procedures in order to enhance the internal control over financial reporting and to improve the communication among all departments throughout the City.

Status:

Uncorrected, see current year financial statement finding 2017-002.

Finding 2016-002 Lack of Segregation of Duties at the Transit Department

Condition:

During the interview of the billing, cash receipts, and the daily reconciliation process in the Transit Department, we noted that there is a lack of separation of duties. The person who prepared billing also recorded cash receipts. We also noted that the Department only performs the cash receipt reconciliation once a week.

Recommendation:

It was recommended that the City adopt a formal policy maintaining segregation of duties and separate the responsibilities for authorizing, processing and reviewing all financial transactions.

Status:

Finding was resolved during the year ended June 30, 2017.

City of Culver City
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2017

Section III – Federal Awards Findings and Questioned Costs

A. Current Year Findings and Questioned Costs – Major Federal Award Program Audit

2017-003 Cash Management – Internal Control and compliance over Reimbursement Requests

Information of the Federal Program:

Federal Transit Cluster, (CFDA Number 20.507, U.S. Department of Transportation, Award Numbers CA-90-Z069, CA-90Z252, and CA-2016-037)

Criteria:

In accordance with Title 31 Code of Federal Regulations (CFR) section 205.12(b)(5), reimbursable funding means that a federal program agency (or pass-through entity) transfers federal funds to an awardee after that awardee has already paid out the funds for federal assistance program purposes. Reimbursement requests should be supported by documentation showing that the costs for which reimbursement was requested were paid prior to the date of the reimbursement request.

Condition:

During our testing of the Federal Transit Cluster’s reimbursement requests, we noted that one out of the four reimbursement requests selected for testing had no indication showing that reimbursement request was reviewed by an individual that did not create the reimbursement request. We also noted that for each of the four reimbursement requests tested that review of the reimbursement request is performed by the Transportation Director after the Sr. Management Analyst has already submitted the request to the funding agency.

Questioned Cost:

No questioned cost over \$25,000 noted.

Context:

See condition above for context of the findings.

Effect:

The lack of a secondary review process prior to submission of reimbursement requests led to the overdrawing of \$566,302 against bus purchase invoices that were previously invoiced for reimbursement.

Cause:

The City did not have a formal policy to require review of the reimbursement requests by a second individual before submission to the funding agency.

Identification as a Repeat Finding, if Applicable:

Not applicable

Recommendation:

We recommend the City create a formal policy that the reimbursement request review process be performed by an individual that did not create the reimbursement request and also that the review is performed before the submission in order to ensure the accuracy of the reimbursement requests submitted.

City of Culver City
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2017

Section III – Federal Awards Findings and Questioned Costs (Continued)

A. Current Year Findings and Questioned Costs – Major Federal Award Program Audit (Continued)

2017-003 Cash Management – Internal Control and compliance over Reimbursement Requests (Continued)

Views of Responsible Officials and Planned Corrective Actions:

Management recognizes and confirms the condition, effect and cause of the noted deficiency with regard to formal policy and procedures requiring review of federal reimbursement requests in advance of submission of the funding agency.

The City (Transportation Department) will create a formal policy that all federal reimbursement requests be reviewed by an individual that did not create the reimbursement request in advance of the submission to ensure accuracy of the reimbursement request.

Art A. Ida, Transportation Director will be responsible for the planned corrective actions and the expected implementation date is June 30, 2018.

City of Culver City
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2017

Section III – Federal Awards Findings and Questioned Costs (Continued)

B. Prior Year Findings and Questioned Costs – Major Federal Award Program Audit

No federal award findings or questioned costs were noted as of June 30, 2016.