

# **City of Culver City**

Culver City, California

## **Single Audit and Independent Auditors' Reports**

*For the Year Ended June 30, 2018*





**City of Culver City  
Single Audit Report  
For the Year Ended June 30, 2018**

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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 *GOVERNMENT 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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 21, 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.

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. 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.

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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2018-001, that we consider to be significant deficiencies.

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 PwC Group, LLP". The signature is written in a cursive, flowing style.

Santa Ana, California  
December 21, 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, 2018. 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.

***Auditors' 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; 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, 2018.

### ***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 2018-002. 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as item 2018-002, that we consider to be significant deficiencies.

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 the 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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We have issued our report thereon dated December 21, 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.

*The PwC Group, LLP*

Santa Ana, California

April 1, 2019, except for the Schedule of Expenditures of Federal Awards, which is as of December 21, 2018.

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**City of Culver City**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2018**

Federal Grantor/Pass - Through Grantor Program Title	Federal CFDA Number	Agency or Pass - Through Number	Federal Expenditures
<b><u>U.S. Department of Housing and Urban Development</u></b>			
<b>CDBG - Entitlement Grants Cluster:</b>			
<i>Passed through the Community Development Commission of Los Angeles County:</i>			
Community Development Block Grant - Entitlement Grants	14.218	D96189-17	\$ 28,237
Community Development Block Grant - Entitlement Grants	14.218	601891-17	154,773
<b>Total CDBG - Entitlement Grants Cluster</b>			<b>183,010</b>
<b>Housing Vouchers Cluster:</b>			
<i>Direct Program:</i>			
Section 8 Housing Choice Vouchers	14.871	CA 110V00116	1,512,056
<b>Total Housing Vouchers Cluster</b>			<b>1,512,056</b>
<b>Total U.S. Department of Housing and Urban Development</b>			<b>1,695,066</b>
<b><u>U.S. Department of Justice</u></b>			
<i>Direct Programs:</i>			
Bulletproof Vest Partnership Program	16.607	2016 BVP	9,230
Equitable Sharing Program	16.922	CA 0191800	205,041
<i>Passed through City of Los Angeles:</i>			
UASI 2016 - Fire Ballistic Vest	16.738	2016-DJ-BX-0246	49,728
<b>Total U.S. Department of Justice</b>			<b>263,999</b>
<b><u>U.S. Department of Transportation</u></b>			
<b>Highway Planning and Construction Cluster:</b>			
<i>Passed through the State of California Department of Transportation:</i>			
Highway Planning and Construction - Higuera Street Bridge Program	20.205	BHLS 5240026	5,102
Highway Planning and Construction - Traffic Signal Left Turn Signal	20.205	HSIP 6-07-00	60,430
Highway Planning and Construction - Safety Routes to School	20.205	SRTSLNI 5240030	31,176
Highway Planning and Construction - Real Time Motorist Information System	20.205	CML 5240025	118,007
Highway Planning and Construction - Wash-Culver Pedestrian & Cycle Safety	20.205	ATPL-5240034	122,729
<i>Passed through the Los Angeles County Metropolitan Transit Authority:</i>			
Highway Planning and Construction - CicLAvia Open Street Event	20.205	CYC16002	32,248
<b>Total Highway Planning and Construction Cluster</b>			<b>369,692</b>
<b>Federal Transit Cluster:</b>			
<i>Direct Programs:</i>			
Federal Transit Capital and Operating Assistance Formula Grants (5307)	20.507	CA-90-Z069	321,248
Federal Transit Capital and Operating Assistance Formula Grants (5307)	20.507	CA-90-Z252	49,882
Federal Transit Capital and Operating Assistance Formula Grants (5307)	20.507	CA-2017-163	2,539,700
<b>Total Federal Transit Cluster</b>			<b>2,910,830</b>

(Continued)

**City of Culver City**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**For the Year Ended June 30, 2018**

Federal Grantor/Pass - Through Grantor Program Title	Federal CFDA Number	Agency or Pass - Through Number	Federal Expenditures
<b><u>U.S. Department of Transportation (Continued)</u></b>			
<b>Highway Safety Cluster:</b>			
<i>Passed through California Office of Traffic Safety:</i>			
State and Community Highway Safety - 2016	20.600	PT1729	16,452
State and Community Highway Safety - 2017	20.600	PT18034	58,085
<b>Total Highway Safety Cluster</b>			<b>74,537</b>
<b>Minimum Penalties for Repeat Offenders for Driving While Intoxicated Program:</b>			
<i>Passed through California Office of Traffic Safety:</i>			
Minimum Penalties for Repeat Offenders for Driving While Intoxicated - 2016	20.608	PT1729	20,047
Minimum Penalties for Repeat Offenders for Driving While Intoxicated - 2017	20.608	PT18034	26,540
<b>Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated</b>			<b>46,587</b>
<b>Total U.S. Department of Transportation</b>			<b>3,401,646</b>
<b><u>U.S. Department of Health and Human Services</u></b>			
<b>Aging Cluster:</b>			
<i>Passed through the Los Angeles County Department of Community and Senior Citizens' Services:</i>			
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	ENP-162004	1,000
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	ENP-162004	205,925
Nutrition Services Incentive Program	93.053	ENP-162004	18,518
<b>Total Aging Cluster</b>			<b>225,443</b>
<b>Total U.S. Department of Health and Human Services</b>			<b>225,443</b>
<b><u>U.S. Department of Homeland Security</u></b>			
<i>Passed through the County of Los Angeles:</i>			
Emergency Management Performance Grant (EPMG)	97.042	2014 EMPG	798
Emergency Management Performance Grant (EPMG)	97.042	2015 EMPG	2,496
Emergency Management Performance Grant (EPMG)	97.042	2016 EMPG	12,151
Emergency Management Performance Grant (EPMG)	97.042	2017 EMPG	8,102
<b>Total Emergency Management Performance Grant (EPMG)</b>			<b>23,547</b>
<i>Direct Program:</i>			
Fire Prevention and Safety Grant	97.044	EMW-2015-FP-00349	2,073
<i>Passed through the County of Los Angeles:</i>			
Homeland Security Grant Program	97.067	2015 SHSGP	17,004
<b>Total U.S. Department of Homeland Security</b>			<b>42,624</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 5,628,778</b>

(Concluded)

**City of Culver City**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2018**

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**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, Los Angeles County Department of Community and Senior Citizens’ Services, City of Los Angeles, and County of Los Angeles, are 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.

**Note 3 – Subrecipients**

During the year ended June 30, 2018, the City did not provide federal funds to subrecipients.

**City of Culver City**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2018**

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**Section I – Summary of Auditors’ 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? **No**
- Significant deficiency(ies) identified? **2018-001**

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

**Federal Awards**

Internal control over major federal programs:

- Material weakness(es) identified? **No**
- Significant deficiency(ies) identified? **2018-002**

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **Yes**

Identification of major federal programs:

<b>CFDA Numbers</b>	<b>Major Program or Cluster</b>	<b>Federal Expenditures</b>
14.871	Housing Vouchers Cluster	\$ 1,512,056
20.507	Federal Transit Cluster	2,910,830
	<b>Total Expenditures of All Major Federal Programs</b>	<b>\$ 4,422,886</b>
	<b>Total Expenditures of Federal Awards</b>	<b>\$ 5,628,778</b>
	<b>Percentage of Total Expenditures of Federal Awards</b>	<b>78.58%</b>

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? **No**

**City of Culver City**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2018**

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**Section II – Financial Statement Findings**

**A. Current Year Findings – Financial Statement Audit**

**Finding 2018-001 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, 2018**

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**Section II – Financial Statement Findings (Continued)**

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

**Finding 2018-001 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 develop comprehensive policies and procedures in order to enhance the internal control over financial reporting and to improve the communication among all departments throughout the City.

**View of Responsible Officials:**

The City engaged an external audit firm with a five year agreement to conduct a thorough review of internal controls, cash handling, fraud waste and abuse program, grants management compliance, inventory management controls, and a Citywide Enterprise Risk Assessment. All six reports are currently in progress and the Finance Department Staff will be working with the external audit firm and a City Council AdHoc Subcommittee to ensure that all relevant policies and procedures that will be developed as a result of the external audit, will establish adequate controls and adhere to best practices. The City anticipates completing this work no later than October 2019.

Onyx Jones, Chief Financial Officer will be responsible for the planned corrective actions and the expected implementation date is June 30, 2020.



**City of Culver City**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2018**

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**Section II – Financial Statement Findings (Continued)**

**B. Prior Year Findings – Financial Statement Audit**

**Finding 2017-001 Prior Period Adjustments**

**Condition:**

We noted that 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.

**Recommendation:**

It was 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.

**Status:**

The finding was resolved during the year ended June 30, 2018.

**Finding 2017-002 Internal Control Over Financial Reporting**

**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.

**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 2018-001.

**City of Culver City**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2018**

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**Section III – Federal Awards Findings and Questioned Costs**

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

**2018-002 Special Tests and Provision – Internal Control and Compliance over Housing Quality Standards Enforcement**

**Identification of the Federal Program:**

Catalog of Federal Domestic Assistance (“CFDA”) Number:	14.871
CDFA Title:	Section 8 Housing Choice Vouchers
Federal Agency:	Department of Housing and Urban Development
Pass-Through Entity:	N/A
Federal Award Number and Award Year:	CA110VO0116 – FY 17-18

**Criteria or Specific Requirement (Including Statutory, Regulatory, or Other Citation):**

Pursuant to the Uniform Guidance April 2017 Compliance Supplement, Housing Voucher Cluster, Housing Quality Standards (“HQS”) Enforcement:

For units under Housing Assistance Payment (“HAP”) contract that fail to meet HQS, the Public Housing Agency (“PHA”) must require the owner to correct any life threatening HQS deficiencies within 24 hours after the inspections and all other HQS deficiencies within 30 calendar days or within a specified PHA-approved extension. If the owner does not correct the cited HQS deficiencies within the specified correction period, the PHA must stop (abate) HAPs beginning no later than the first of the month following the specified correction period or must terminate the HAP contract. The owner is not responsible for a breach of HQS as a result of the family’s failure to pay for utilities for which the family is responsible under the lease or for tenant damage. For family-caused defects, if the family does not correct the cited HQS deficiencies within the specified correction period, the PHA must take prompt and vigorous action to enforce the family obligations (24 CFR sections 982.158(d) and 982.404).

Pursuant to the Beg Bed Policy/Process, an addendum to the Administration Plan, Culver City Housing Authority must receive written documentation by a licensed pest control company that all bed bugs have been exterminated and unit is cleared from any hazard of bed bugs within 48 hours.

**Condition:**

During our audit, we noted that 1 of 8 samples selected with bedbugs issues did not meet the 48 hours correction requirement, which is stated as an addendum to the Administrative Plan updated in May 2018; and we also noted that 1 of 8 samples selected included two inspection reports initialed by the inspector. One report was passed by the inspector and the other report was failed by the inspector. It was impossible to determine which report was accurate.

**Cause:**

The City did not have sufficient monitoring control over the HQS Enforcement compliance requirement.

**City of Culver City**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2018**

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

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

**2018-002 Special Tests and Provision – Internal Control and Compliance over Housing Quality Standards Enforcement (Continued)**

**Effect or Potential Effect:**

The City was not in compliance with the HQS Enforcement compliance requirement. In addition, there could be no corrections of the HQS deficiencies and the City could have continued paying the HAP to those recipients failed to meet HQS.

**Questioned Costs:**

None noted.

**Context:**

See condition above for context of the finding.

**Identification as a Repeat Finding, If Applicable:**

Not applicable.

**Recommendation:**

We recommend the City establish a comprehensive policies and procedures to meet the HQS compliance requirements.

**View of Responsible Official:**

In the matter regarding the inspection report, there was one sample bed bug case that did not meet the 48 hour correction requirement and this was under extenuating circumstances which involved legal counsel from the City Attorney. The City opted to allow the owner additional time to correct the matter.

There was a sample tested that had two inspection forms mistakenly filed (one as passed and one as failed). Initially, the inspector was not able to inspect the property and he failed the inspection report; however, shortly after that, the inspector was able to return to the property and pass the inspection. In the future, the City will ensure that the correct most recent inspection report is placed in the file.

Sol Blumenfeld, Community Development Director will be responsible for the planned corrective actions and the expected implementation date is June 30, 2019.

**City of Culver City**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2018**

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

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

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

**Federal Programs:**

Catalog of Federal Domestic Assistance (“CFDA”) Number:	20.507
CDFFA Title:	Federal Transit Cluster
Federal Agency:	U.S. Department of Transportation
Pass-Through Entity:	N/A
Federal Award Number and Award Year:	CA-90-Z069 – FY 13-14 CA-90-Z252 – FY 14-15 CA-2016-037 – FY 15-16

**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.

**Recommendation:**

We recommended 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.

**Current Status:**

The finding was resolved during the year ended June 30, 2018.