

City of Culver City

Culver City, California

Single Audit and Independent Auditors' Reports

For the Year Ended June 30, 2019



**City of Culver City
Single Audit Report
For the Year Ended June 30, 2019**

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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, 2019, 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 30, 2019.

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 items 2019-001 and 2019-002, 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 Per Group, LLP". The signature is written in a cursive, flowing style.

Santa Ana, California
December 30, 2019



**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, 2019. 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, 2019.

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 items 2019-003 and 2019-004. 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 items 2019-003 and 2019-004, 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, 2019, 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 30, 2019, 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
February 11, 2020, except for the Schedule of Expenditures of Federal Awards, which is as of December 30, 2019.

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City of Culver City
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

| Federal Grantor/Pass - Through Grantor Program Title | Federal CFDA Number | Agency or Pass - Through Number | Federal Expenditures |
|--|---------------------------|---------------------------------------|-------------------------|
| <u>U.S. Department of Housing and Urban Development</u> | | | |
| CDBG - Entitlement Grants Cluster: | | | |
| <i>Passed through the Community Development Commission of Los Angeles County:</i> | | | |
| Community Development Block Grant - Entitlement Grants | 14.218 | D96189-18 | \$ 25,494 |
| Community Development Block Grant - Entitlement Grants | 14.218 | 601891-17 | 15,227 |
| Total CDBG - Entitlement Grants Cluster | | | 40,721 |
| Housing Vouchers Cluster: | | | |
| <i>Direct Program:</i> | | | |
| Section 8 Housing Choice Vouchers | 14.871 | CA110 | 1,580,713 |
| Total Housing Vouchers Cluster | | | 1,580,713 |
| Total U.S. Department of Housing and Urban Development | | | 1,621,434 |
| <u>U.S. Department of Justice</u> | | | |
| <i>Direct Programs:</i> | | | |
| Bulletproof Vest Partnership Program | 16.607 | 2017 BVP | 15,412 |
| Equitable Sharing Program | 16.922 | CA 0191800 | 225,302 |
| Total U.S. Department of Justice | | | 240,714 |
| <u>U.S. Department of Transportation</u> | | | |
| 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 | BHLS 5240026 | 194,730 |
| Highway Planning and Construction - Traffic Signal Left Turn Upgrades | 20.205 | HSIPL 5240035 | 107,539 |
| Highway Planning and Construction - Real Time Motorist Information System | 20.205 | CML 5240025 | 150,043 |
| Highway Planning and Construction - Wash-Culver Pedestrian & Cycle Safety | 20.205 | ATPL 5240034 | 158,695 |
| Total Highway Planning and Construction Cluster | | | 611,007 |
| Federal Transit Cluster: | | | |
| <i>Direct Programs:</i> | | | |
| Federal Transit Capital and Operating Assistance Formula Grants (5307) | 20.507 | CA-2017-163 | 3,985,303 |
| Total Federal Transit Cluster | | | 3,985,303 |
| Highway Safety Cluster: | | | |
| <i>Passed through California Office of Traffic Safety:</i> | | | |
| State and Community Highway Safety - 2018 | 20.600 | PT18034 | 6,891 |
| State and Community Highway Safety - 2019 | 20.600 | PT19025 | 35,002 |
| Total Highway Safety Cluster | | | 41,893 |
| 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 - 2018 | 20.608 | PT18034 | 13,907 |
| Minimum Penalties for Repeat Offenders for Driving While Intoxicated - 2019 | 20.608 | PT19025 | 21,655 |
| Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated | | | 35,562 |
| Total U.S. Department of Transportation | | | 4,673,765 |

(Continued)

City of Culver City
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2019

| Federal Grantor/Pass - Through Grantor Program Title | Federal CFDA Number | Agency or Pass - Through Number | Federal Expenditures |
|---|---------------------------|---------------------------------------|-------------------------|
| <u>U.S. Department of Treasury</u> | | | |
| <i>Passed through the City of La Verne:</i> | | | |
| Asset Seizure Program (Treasury) | 21.016 | CA 0191800 | 14,379 |
| Total U.S. Department of Treasury | | | <u>14,379</u> |
| <u>U.S. Environmental Protection Agency</u> | | | |
| <i>Passed through the Ecology Action of Santa Cruz Inc:</i> | | | |
| Pollution Prevention Grants Program | 66.708 | 17 EPAA014 | 20,091 |
| Total U.S. Environmental Protection Agency | | | <u>20,091</u> |
| <u>U.S. Department of Health and Human Services</u> | | | |
| Aging Cluster: | | | |
| <i>Passed through the Los Angeles County Department of Workforce Development, Aging and Community 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 | 205,921 |
| Nutrition Services Incentive Program | 93.053 | ENP-162004 | 6,670 |
| Total Aging Cluster | | | <u>213,591</u> |
| Total U.S. Department of Health and Human Services | | | <u>213,591</u> |
| <u>U.S. Department of Homeland Security</u> | | | |
| <i>Passed through the County of Los Angeles:</i> | | | |
| Emergency Management Performance Grant (EPMG) | 97.042 | 2016 EMPG | 15,489 |
| Emergency Management Performance Grant (EPMG) | 97.042 | 2017 EMPG | 22,039 |
| Emergency Management Performance Grant (EPMG) | 97.042 | 2018 EMPG | 8,105 |
| Total Emergency Management Performance Grant (EPMG) | | | <u>45,633</u> |
| Total U.S. Department of Homeland Security | | | <u>45,633</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 6,829,607</u> |

(Concluded)

City of Culver City
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

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, the State of California Department of Transportation, the State of California Office of Traffic Safety, the City of La Verne, the Ecology Action of Santa Cruz, Inc, the Los Angeles County Department of Workforce Development, Aging and Community Services, and the 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, 2019, 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, 2019

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? **2019-001 and 2019-002**

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

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? **No**
- Significant deficiency(ies) identified? **2019-003 and 2019-004**

Type of auditors’ 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:

| CFDA Numbers | Name of Federal Program or Cluster | Federal Expenditures |
|-------------------------|---|---------------------------------|
| 14.871 | Housing Vouchers Cluster | \$ 1,580,713 |
| 20.507 | Federal Transit Cluster | 3,985,303 |
| | Total Expenditures of All Major Federal Programs | \$ 5,566,016 |
| | Total Expenditures of Federal Awards | \$ 6,829,607 |
| | Percentage of Total Expenditures of Federal Awards | 81.50% |

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, 2019

Section II – Financial Statement Findings

A. Current Year Findings – Financial Statement Audit

Finding 2019-001 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.

Segregation of duties between the payroll processing and maintenance of employee master files is an effective internal control over payroll.

Condition:

During our walkthrough of internal control over payroll and human resources, we noted that the Payroll Department, who is processing payroll, have access to employee master files and is responsible for entering and making changes to the pay rate in the system.

Context:

See condition above for context of the finding.

Effect or Potential 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.

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.

City of Culver City
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2019

Section II – Financial Statement Findings (Continued)

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

Finding 2019-001 Internal Control Over Financial Reporting (Continued)

Recommendation:

We recommended that the City shifts the controls of pay rate information from the Payroll Department to the Human Resources Department and constantly monitor the pay rate changes.

Views of Responsible Officials:

Currently, the City's Finance Department is responsible for entering and making changes to pay rates in the payroll system. The current process requires one employee to do data entry for the changes and then the Payroll Analyst and Finance Manager review the changes to ensure they are entered correctly. Finance agrees that a higher level of internal controls would be optimum and have put together a process to transition this task to Human Resources.

Human Resources (HR) and Finance have begun developing written procedures and making software changes to automate and segregate these duties. This project requires training key employees across all departments including Human Resources. HR and Finance staff have been meeting regularly and have created a timeline to achieve this objective by October 2020. In the future, HR will do the data entry and Finance will approve the pay rate changes. The Finance Manager in the Finance Department will also perform a secondary approval for updating pay rates in the payroll system.

City of Culver City
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2019

Section II – Financial Statement Findings (Continued)

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

Finding 2019-002 Internal Control Over Accounts Payable

Criteria:

Management is responsible for designing, implementing, and maintaining appropriate internal control over financial reporting. Management is also responsible for the accuracy of the financial statements including disclosures.

Condition:

During our accounts payable testing, we noted that the City did not reconcile the Invoice Aging Report to the general ledger. The ending balance per Invoice Aging Report as of June 30, 2019 was \$12,554,117 while the ending balance for Vouchers Payable accounts in the general ledger as of June 30, 2019 was \$14,273,850. There is an unreconciled difference of \$1,719,733.

Context:

See condition above for context of the finding.

Effect or Potential Effect:

Without a reconciled Accounts Payable Aging Report, the City might not be aware of the invoices that are overdue for payments or processed without approvals.

Cause:

Accounts Payable Aging Report was not properly reviewed and reconciled to the City's general ledger due to lack of available staff time.

Recommendation:

We recommend the City reconcile the Accounts Payable Aging Report to general ledger and review the report periodically.

Views of Responsible Officials:

The Finance Department is currently in the process of communicating with Tyler (City's general ledger system) to resolve a timing issue that affects the Accounts Payable (AP) Aging Report balances. The timing issue occurs when invoices are entered into the AP system between July 1 – August 31 and recorded into June of the prior fiscal year. The resolution will create a report that captures all activity that should be included in the Aging Report as of fiscal year end.

City of Culver City
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2019

Section II – Financial Statement Findings (Continued)

B. Prior Year Findings – Financial Statement Audit

Finding 2018-001 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:

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.

Status:

Partially corrected, see current year financial statement finding 2019-001.

City of Culver City
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2019

Section III – Federal Awards Findings and Questioned Costs

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

2019-003 Cash Management – Internal Control and Compliance over Reimbursement Requests

Identification of the Federal Program:

| | |
|---|---|
| Catalog of Federal Domestic Assistance (“CFDA”) Number: | 20.507 |
| CDFA Title: | Federal Transit Capital and Operating Assistance Formula Grants (5307) |
| Federal Agency: | U.S. Department of Transportation |
| Pass-Through Entity: | N/A |
| Federal Award Number and Award Year: | CA-2017-163 – FY 17-18 |

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

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 audit, we noted that the City did not report Transportation Development Credits (“TDC”) for \$780,745 under the Federal Share of Expenditures in the Federal Financial Reports (“FFR”) for all four quarters.

In addition, the City miscalculated the TDCs in the FFR for the quarter ended December 31, 2018. The City drawdowns were in excess of the allowable amounts by \$78,051.

Cause:

The City did not have sufficient training and knowledge over internal control and compliance over reimbursement requests and did not have timely communication with Department of Transportation regarding reporting issues.

City of Culver City
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2019

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

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

2019-003 Cash Management – Internal Control and Compliance over Reimbursement Requests (Continued)

Effect or Potential Effect:

Department of Transportation could withhold future reimbursement payments.

Questioned Costs:

\$78,051.

Context:

See condition above for context of the finding.

Identification as a Repeat Finding, If Applicable:

N/A

Recommendation:

We recommend the City attend Federal Transit Administration related training in order to obtain adequate and accurate information about grant requirements and communicate with Department of Transportation in a timely manner.

Views of Responsible Officials:

Transportation staff recognizes that training is needed for the reporting and management of Transportation Development Credits being applied toward the local match of Federally funded projects and activities. Members from the Transportation Department will request and complete training from the Federal Transit Administration (FTA) by June 30, 2020. The noted mistakes have been corrected in subsequent Federal Financial Reports. Transportation staff are also cognizant of the need for better communication with our FTA representative on reporting errors and strategies to correct them.

City of Culver City
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2019

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

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

2019-004 Reporting – Internal Control and Compliance over Reporting

Identification of the Federal Program:

| | |
|---|---|
| Catalog of Federal Domestic Assistance (“CFDA”) Number: | 20.507 |
| CDFA Title: | Federal Transit Capital and Operating Assistance Formula Grants (5307) |
| Federal Agency: | U.S. Department of Transportation |
| Pass-Through Entity: | N/A |
| Federal Award Number and Award Year: | CA-2017-163 – FY 17-18 |

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

Pursuant to the Federal Financial Report (“FFR”) Instructions:

- 1) The submission of interim FFRs will be on a quarterly, semi-annual, or annual basis, as directed by the Federal Agency. The following reporting period end dates shall be used for interim reports: 3/31, 6/30, 9/30, or 12/31.
- 2) Quarterly and semi-annual interim reports shall be submitted no later than 30 days after the end of each reporting period.

Condition:

During our audit, we noted that one of the four quarterly FFRs selected for testing was submitted after the due date. The FFR for the quarter ended December 31, 2018 was due on January 30, 2019 but was not submitted the State of California Department of Transportation until January 31, 2019.

During our audit, we noted that the person in Transportation Development can prepare reimbursement requests as well as perform drawdowns of federal funds.

Cause:

The City did not have adequate policies and procedures to ensure the timely submission of the Federal Transaction Reports.

Effect or Potential Effect:

The delay in submission of the Federal Transaction Report may lead to the State of California Department of Transportation imposing sanctions on the City including withholding reimbursement payments.

Questioned Costs:

No questioned costs were noted.

City of Culver City
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2019

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

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

2019-004 Reporting – Internal Control and Compliance over Reporting (Continued)

Context:

See condition above for context of the finding.

Identification as a Repeat Finding, If Applicable:

N/A

Recommendation:

We recommend the City update procedures to improve control activities over the timely submission of the reports. We also recommend the City request extensions from grantors in the future in the event that the City is unable to meet the reporting due date.

We also recommend that the City improve segregation of duties within the Transportation Department.

Views of Responsible Officials:

With the exception of this instance, Culver City has been very timely with all submissions of Federal Financial Reports and Milestone Progress Reports prior to their deadline. However, this submission was delayed until late in the evening on January 30, 2019 Pacific Standard Time. It was reflected as January 31, 2019 in the FTA Transit Award Management System due to the time difference.

Culver City is updating its internal control policies and procedures for grants management. Going forward, Transportation staff will prepare and submit reports earlier in the month due to avoid any possibility of late submission in the future. Staff changes in the Transportation Department's Finance area will also allow a separation of duties between the person preparing reimbursement requests and the person performing drawdowns of federal funds.

City of Culver City
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2019

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

B. Prior 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: | CA110 – FY 17-18 |

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.

Recommendation:

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

Current Status:

The finding was resolved during the year ended June 30, 2019.