



City of Culver City, California
Single Audit Report
Year Ended June 30, 2022
With Independent Auditor's Report

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**Independent Auditor's 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***

**The Honorable Mayor and the Members of the City Council
City of Culver City**
City of 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 (*Government Auditing Standards*), the financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Culver City (the City), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 30, 2023.

Report on 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) as a basis for designing 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 entity'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses and significant deficiencies may exist that were not identified.



Report on 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 financial statements. 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*.

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.

Glendale, California
March 30, 2023



Independent Auditor’s Report on Compliance for Each Major Federal Program; on Internal Control Over Compliance; and on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Culver City, California’s (the City) compliance with the types of compliance requirements identified as subject to audit 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, 2022. The City’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City’s compliance with the compliance requirements referred to above.



Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City's internal control over compliance. Accordingly, no such opinion is expressed.



We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.



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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 30, 2023, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming 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 the 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 basic financial statements and certain additional 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.

Vaqueria & Company LLP

**Glendale, California
March 30, 2023**

City of Culver City
Schedule of Expenditures of Federal Awards
Year ended June 30, 2022

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Entity or Grantor's Identifying Number</u>	<u>Provided to Subrecipients</u>	<u>Total Federal Expenditure</u>
U.S. Department of Transportation				
Direct Assistance:				
Federal Transit Cluster:				
Federal Transit Capital and Operating Assistance Formula Grants (5307)	20.507	CA-2016-037-00	\$ -	\$ 92,324
Federal Transit Capital and Operating Assistance Formula Grants (5307)	20.507	CA-2017-163-00	-	272,227
Federal Transit Capital and Operating Assistance Formula Grants (5307)	20.507	CA-2020-163-00	-	218,481
Federal Transit Capital and Operating Assistance Formula Grants (5307)	20.507	CA-2021-158-00	-	3,988,427
Total Federal Transit Cluster			<u>-</u>	<u>4,571,459</u> *
Passed-through the State of California, Department of Transportation:				
Highway Planning and Construction Cluster:				
Higuera Street Bridge Program	20.205	BHLS 5240026	-	3,588,704
Washington-Culver Pedestrian & Cycle Safety	20.205	ATPL-5240034	-	244,952
Traffic Signal Left Turn Upgrades	20.205	HSIPL-5240035	-	598,383
Total Highway Planning and Construction Cluster			<u>-</u>	<u>4,432,039</u>
Passed-through the State of California, Office of Traffic Safety:				
Highway Safety Cluster:				
State and Community Highway Safety - 2021	20.600	PT21026	-	16,034
State and Community Highway Safety - 2022	20.600	PT22014	-	11,188
State and Community Highway Safety	20.600	PS22004	-	11,637
State and Community Highway Safety	20.600	PS21004	-	37,659
National Priority Safety Programs	20.616	PT22014	-	36,222
National Priority Safety Programs	20.616	TR21011	-	49,778
Total Highway Safety Cluster			<u>-</u>	<u>162,518</u>
Passed-through the State of California, Office of Traffic Safety:				
Minimum Penalties for Repeat Offenders for Driving While Intoxicated - 2021	20.608	PT21026	-	25,901
Minimum Penalties for Repeat Offenders for Driving While Intoxicated - 2022	20.608	PT22014	-	25,134
Total for ALN# 20.608			<u>-</u>	<u>51,035</u>
Total U.S. Department of Transportation			<u>-</u>	<u>9,217,051</u>
U.S. Department of Treasury				
Direct assistance:				
Asset Seizure Program (Treasury)	21.000	CA0191800	-	18,736
Total for ALN# 21.000			<u>-</u>	<u>18,736</u>
Coronavirus State and Local Fiscal Recovery Funds	21.027	NA	-	4,723,342
Passed through the State of California Department of Housing :				
Coronavirus State and Local Fiscal Recovery Funds - Homekey Interim and Permanent Supportive Housing	21.027	21-HK-17163	-	286,042
Total for ALN# 21.027			<u>-</u>	<u>5,009,384</u> *
Total U.S. Department of Treasury			<u>-</u>	<u>5,028,120</u>

(Continued)

See accompanying notes to Schedule of Expenditures of Federal Awards.

City of Culver City
Schedule of Expenditures of Federal Awards (Continued)
Year ended June 30, 2022

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Entity or Grantor's Identifying Number</u>	<u>Provided to Subrecipients</u>	<u>Total Total Federal Expenditure</u>
U.S. Department of Housing and Urban Development				
Direct Assistance:				
Housing Voucher Cluster:				
Section 8 Housing Choice Vouchers	14.871	CA110	\$ -	\$ 1,712,170 *
Total for Housing Voucher Cluster			-	1,712,170 *
Family Self-Sufficiency Program	14.896	CA110	-	55,360
Total for ALN# 14.896			-	55,360
Passed-through the Los Angeles County Development Authority:				
CDBG- Entitlement Grants Cluster:				
Community Development Block Grants/Entitlement Grants	14.218	D96189-21	-	40,296
Community Development Block Grants/Entitlement Grants	14.218	602150-19	-	47,454
Total CDBG-Entitlement Grants Cluster			-	87,750
Total U.S. Department of Housing and Urban Development				1,855,280
U.S. Department of Homeland Security				
Direct Assistance:				
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2018-FH-00027	-	375,272 *
Assistance to Firefighters Grants (FEMA)	97.044	EMW-2019-FG-01684	-	7,273
Passed through the County of Los Angeles:				
Emergency Management Performance Grant (EMPG)	97.042	2018 and 2020 EMPG	-	17,700
Passed through the County of Los Angeles:				
State Homeland Security Program (SHSP)	97.067	EMW-2019-SS-00035	-	11,200
Passed through the City of Los Angeles:				
Urban Area Security Initiative (FY2021 UASI)	97.067	EMW-2021-SS-00081	-	16,471
Passed through the California Governor's Office of Emergency Services:				
Hazard Mitigation Grant (FEMA)	97.039	FEMA-4407-DR-CA	-	47,537
Total U.S. Department of Homeland Security				475,453
U.S. Department of Justice				
Direct Assistance:				
Equitable Sharing Program	16.922	NA	-	62,018
Passed-through from Bureau of Justice Assistance				
Bulletproof Vest Partnership Program	16.607	2020 BVP	-	8,967
Total U.S. Department of Justice				70,985
Total Expenditures of Federal Awards			\$ -	\$ 16,646,889

* Denotes Major Program

(Concluded)

See accompanying notes to Schedule of Expenditures of Federal Awards.

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (SEFA) presents the activity of all federal financial assistance programs of the City of Culver City, California (the City). For purposes of this schedule, financial awards include federal awards received directly from a federal agency, as well as federal funds received indirectly by the City from a non-federal agency or other organization. Only the portions of program expenditures reimbursable with federal funds are reported in the accompanying schedule. Program expenditures in excess of the maximum reimbursement authorized, if any, or the portion of the program expenditures that were funded with other state, local or other non-federal funds are excluded from the accompanying schedule.

The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying SEFA is presented using the modified accrual basis of accounting for general fund, capital projects fund and special revenue funds and the accrual basis of accounting for the enterprise funds, which is described in Note 1 of the notes to the City's basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The City has elected not to use the 10-percent de minimis indirect cost rate allowed in the Uniform Guidance.

NOTE 3 RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Grant expenditure reports for the year ended June 30, 2022, which have been submitted to grantor agencies, will, in some cases, differ from the amounts disclosed herein. The reports prepared for grantor agencies are typically prepared at a later date and often reflect refined estimates of the year-end accruals.

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditors’ report 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?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Type of auditors’ report issued on compliance with respect to major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?	None

Identification of Major Programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
20.507	Federal Transit Cluster
21.027	Coronavirus State and Local Fiscal Recovery Funds
14.871	Section 8 Housing Choice Vouchers
97.083	Staffing for Adequate Fire and Emergency Response (SAFER)

Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as a low-risk auditee?	Yes

Section II – Financial Statement Findings

No findings were noted.

Section III – Federal Award Findings

No findings were noted.

Finding No. SA 2021-001 – Schedule of Expenditures of Federal Awards (SEFA)

Condition

During the course of our audit, the SEFA submitted by the City was revised a number of times as it contained errors over the assistance listing numbers (ALN), program classification, program name, awarding or pass-through agencies, as well as expenditure amounts. The following errors were noted during the audit and were referred to the City for correction.

- The payment received from the State for the Coronavirus State Fiscal Recovery Fund was reported in the preliminary SEFA. The initial amount was \$4.0M then it was later changed to \$45,306 which represents actual expenditures reported for FY 21. Based on the initial amount, it was determined as a major program, and as such, initial audit procedures were performed.
- The Coronavirus Relief Fund received from the State was initially reported under ALN 97.036. Upon audit inquiry, it was corrected to ALN 21.019.
- Some passthrough programs had incorrect names of awarding agency.
- In addition, the federal expenditures under the Coronavirus Relief Fund were erroneously reported in the SEFA for the fiscal year ended June 30, 2020, instead of the fiscal year ended June 30 2021.

Cause

There were a lot of coronavirus-related grants that were released to local governments directly from the Treasury Department and/or passed through other federal agency and the State of California during the Fiscal Year 2021. These are all new funding sources and the lack of proper guidance created confusion not just for the City but for many recipients of the funds. This resulted in the City's financial reporting and SEFA preparation and review process not being able to accurately capture and report the grants information in the SEFA.

Effect

An inaccurate SEFA results in an inefficient audit approach and also increases the risk that programs may be incorrectly assessed as non-major programs. This may also lead to noncompliance with federal requirements.

Questioned Costs

None

Recommendation

We recommend that the City establish a control procedure that will ensure accurate reporting of all federal expenditures in the SEFA. The City should ensure that a process is in place for all City Departments to report and communicate to Finance Department all federal grants received by the City. The City should require all City Departments to provide the Finance Department with a copy of all approved grant agreements prior to incurring the expenses. The finance department should assign accounting personnel responsible for grant reporting and reconciliation of grant expenditures with reports submitted to the grantors and the SEFA as well as compliance with grant contract provisions and requirements.

Status:

Corrected in fiscal year 2022. The City's Finance Department staff has been monitoring all the related guidance.



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