



Proprietary & Confidential

FINAL DRAFT REPORT

City of Culver City

GRANTS MANAGEMENT INTERNAL CONTROLS TESTING

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I. EXECUTIVE SUMMARY

A. SCOPE AND METHODOLOGY

The purpose of the review was to evaluate the effectiveness and efficiency of the procedures and related internal controls over The City of Culver City's (the City) grants management practices.

This review was performed in accordance with Standards for Consulting Services established by the American Institute of Certified Public Accountants. Accordingly, we provide no opinion, attestation, or other form of assurance with respect to our work or the information upon which our work is based. This report was developed based on information from our interviews and analysis of sample documentation. The procedures we performed do not constitute an examination in accordance with generally accepted auditing standards or attestation standards.

B. COMMENDATIONS

Although the focus of this review was to identify opportunities to implement appropriate actions aimed at reducing risk, strengthening controls, and enhancing performance efficiency and effectiveness, we identified many good practices related to the City's management and administration of grants.

- **Collaborative Culture:** City staff emphasized how often and productively they work together to address grant programs and their respective compliance requirements.
- **Receptive to Change:** During our interviews, feedback from City staff indicated an eagerness to implement process changes to assist in making the grants management process more efficient and effective.
- **Grant Compliance:** Program Administrators were very knowledgeable with the compliance requirements for their respective grants. The City has received an unmodified opinion on its past three single audits (FY 15-17), indicating that Program Administrators are expending Federal awards in accordance with grant requirements.

C. SUMMARY OF FINDINGS AND RECOMMENDATIONS

The results of our review revealed the following opportunities for the City to improve its procedures and related internal controls over the grants management process.

FINDINGS AND RECOMMENDATIONS		
1	Finding	The City's Grant Administration Policy is over four years old and contains outdated requirements.
	Recommendation	The City should update the Grant Administration Policy to better address the current operating environment pertaining to grants.



FINDINGS AND RECOMMENDATIONS		
2	Finding	The City's procedures related to grant administration and management are over 10 years old.
	Recommendation	The City should update Standard Operating Procedures (SOPs) to provide guidance over the grants management process.
3	Finding	The City has experienced increased operational inefficiencies due to a lack of unified document management practices.
	Recommendation	Establish a harmonized document management methodology for City-wide implementation.
4	Finding	Inefficient workflows exist because Program Administrators rely heavily on self-maintained spreadsheets rather than utilizing the MUNIS system to manage grants.
	Recommendation	Assess the feasibility of implementing the Grant Manager module within the MUNIS system for tracking and monitoring of City grants.
5	Finding	City departments reported opportunities for the Finance Department to strengthen communication related to grants.
	Recommendation	Utilize documented policies and procedures, employee training opportunities, and internal memos to communicate Management's expectations and objectives related to grants.
6	Finding	For the Safe Routes to School grant, the final report was submitted to the granting agency after the required due date.
	Recommendation	Ensure all grant reports and billings are submitted timely and in accordance with grant requirements.
7	Finding	For the Selective Traffic Enforcement grant, two of the 18 overtime requests tested received Management approval after overtime was performed.
	Recommendation	Ensure requests for overtime are approved prior to the requested overtime is performed.

Moss Adams would like to thank the staff of the City of Culver City for their cooperation and assistance during our review.



II. BACKGROUND, SCOPE, AND METHODOLOGY

A. BACKGROUND

The City receives a number of Federal, State, and local grants to supplement City funding used to perform various capital projects and program activities. Under the City's current process, the individual department applying for a grant is considered the Program Administrator of the grant. The Budget and Accounting Divisions of the Finance Department provides assistance with regard to financial administration and reporting for grants; however, the Program Administrators are ultimately responsible for ensuring compliance with grant terms and conditions. The City utilizes its main ERP system, MUNIS,¹ to account for all financial transactions related to grant programs.

Moss Adams LLP (Moss Adams) was contracted by the City to evaluate the processes and internal controls related to the City's grants management practices and to identify opportunities for improvement. Our review took place between August 2018 and December 2018.

B. SCOPE AND METHODOLOGY

The scope of our review was the grants management processes of the City, specifically focused on the following objectives:

1. Determine whether the City has developed and implemented written policies and procedures related to the administration of grants.
2. Review and evaluate the current grants management procedures and identify opportunities for improving the efficiency and effectiveness of the City's grants management process.
3. Examine a sample of grants to ensure the City is in compliance with grant awards.

This review was conducted in four phases:

1. **Startup/Management:** Conduct planning procedures and hold an engagement kickoff meeting with City Management.
2. **Fact Finding:** Perform interviews and inquiries with key stakeholders, perform process walkthroughs and observations, and inspect documentation from selected samples.
3. **Analysis:** Compare circumstances against best practices.
4. **Reporting:** Findings and observations are presented to City leadership to validate facts and confirm the practicality of recommendations.

The primary techniques used to conduct this review included:

- **Document Review:** We obtained copies of relevant documentation for review. Examples of relevant documentation include, but were not limited to: The City's master grant sheet, executed grant contracts and agreements, detail ledgers of program revenues and expenditures, financial

¹ MUNIS by Tyler Technologies



and programmatic reports submitted to granting agencies, and the City-wide Grant Administration Policy.

- **Interviews:** We conducted interviews and inquiries with stakeholders from various departments to obtain an understanding of the grants management process at the City-wide and department level. Our interviews and inquiries including the following departments and individuals:

Finance Department

- Asst. Chief Financial Officer
- Accounting Operations Manager
- Budget & Financial Operations Manager
- Procurement & Financial Services Manager

Transportation

- Senior Transit Analyst
- Transit Analyst

Public Works

- Senior Civil Engineer (3)
- Senior Management Analyst (2)
- Associate Engineer
- Environmental Coordinator

Parks and Recreation

- Director, Parks and Recreation
- Senior and Social Services Manager
- Senior and Social Services Specialist
- Senior Management Analyst

Police

- Senior Management Analyst

Fire

- Management Analyst
- Emergency Preparedness Coordinator
- Secretary

Community Development

- Housing Programs Administrator

- **Evaluate internal control activities:** We reviewed the design of key controls specific to the City's grant management process, as well as control activities specific to program awards selected for further testing.
- **Compliance testing:** We reviewed the City's master grant sheet and selected a sample of five grants for further testing to ensure compliance with grant contracts and City policy:
 - Selective Traffic Enforcement: OTSFY18 (Grant No. PT 18034)
 - PS 003-Traffic Signal Left-Turn Phasing (Grant No. HSIPL-5240-032)
 - UASI 16 Grant-Ballistic Vests (Grant No. C-129723)
 - Safe Routes to School (Grant No. SRTSLNI-5240-030)
 - PZ 551-Interpretive Nature Trail (Grant No. BHC 15002)

See *Appendix A* for further details on the methodology for testing grant compliance.



III. FINDINGS AND RECOMMENDATIONS

A. POLICIES AND PROCEDURES

We evaluated the adequacy of adopted policies and procedures and the consistency of current practices with adopted policies and procedures. Additionally, we solicited feedback from City staff to determine if documented policies and procedures effectively communicate the City's requirements related to grants. We noted the following opportunities for improvement from our review.

1	Finding	The City's Grant Administration Policy is over four years old and contains outdated requirements.
	Recommendation	The City should update the Grant Administration Policy to better address the current operating environment pertaining to grants.

Based on feedback of City staff and our inspection of the City's Grant Administration Policy,² we noted that the City's Grant Administration Policy is over four years old and contains outdated information (e.g., approval thresholds). Furthermore, we noted that the policy does not provide reference to key information sources or touch on more specific grant compliance topics, which would prove as a useful resource to Program Administrators. For example:

- Reference to the Uniform Guidance (2 CFR Part 200), OMB Circulars, and OMB compliance supplements.
- Grant compliance areas:
 - Suspension/Debarment Requirements
 - Eligibility
 - Matching/Level of Effort
 - Equipment and Real Property Management
 - Period of Performance
 - Program Income
 - Subrecipient Monitoring
 - Special Tests and Provisions

Communication is an essential component of a comprehensive framework of internal controls. One method of communication that is particularly effective for controls over accounting and financial reporting is the formal documentation of accounting policies and procedures. A well-designed and properly maintained system of documenting accounting policies and procedures enhances both accountability and consistency.³

² Grants Administration Policy, effective June 23, 2014.

³ GFOA, *Policies and Procedures Documentation* (March 2007)



To better strengthen internal controls, we recommend that Management revise the current Grants Administration Policy to better address the current operating environment pertaining to grants. Management should consider the following when revising the City's Grants Management Policy:

- Define roles and responsibilities of the Grant/Program Administrators, Finance Department, City Council, etc.
- Update policy language to reflect current City requirements (e.g. approval thresholds, grant contract routing requirements, etc.)
- Required communications and approvals at the various levels of management, throughout the life of the grant (e.g., application process, grant award/acceptance, grant close-out, etc.)
- References to 2 CFR Part 200 and OMB compliance supplements for additional guidance.
- Internal reporting requirements at various phases/intervals of the grant (i.e. grant setup, periodic monthly or quarterly reporting intervals, fiscal year-end, grant close-out).
- Implementation of standardized forms for internal tracking and control.
- Document storage location requirements. (see *Finding No. 3* for more information)

Upon revising the policy, it should be communicated to employees and training should be provided as necessary.

2	Finding	The City's procedures related to grant administration and management are over 10 years old.
	Recommendation	The City should update Standard Operating Procedures (SOPs) to provide guidance over the grants management process.

The City's detailed SOP⁴ for grant administration and management is over 10 years old. Continued implementation of outdated policies and procedures increases the risk of not achieving Management's objectives because such policies and procedures have not been evaluated and realigned to address current operating risks. Although staff appear to be knowledgeable on the tasks required, there is risk of process errors and inconsistent actions when policies and procedures are not kept up-to-date. In addition, regularly updating SOPs would capture the institutional knowledge of the current staff and preserve it in the event of turnover.

Formal SOPs are effective communication tools that promote consistency when a process is performed. We recommend that the Finance Department spearhead a collaboration effort with other City departments to update its SOPs to ensure grants are administered and managed in accordance with City policies. Upon revising, updated SOPs should be communicated to employees and training should be provided as necessary. Additionally, the City should establish a document revision schedule to ensure policies and procedures are reviewed and updated at least on a triennial basis.

⁴ Administrative Procedures for Grant Submission and Management, revised February 1, 2006.



B. GRANT MANAGEMENT PROCEDURES

3	Finding	The City has experienced increased operational inefficiencies due to a lack of unified document management practices.
	Recommendation	Establish a harmonized document management methodology for City-wide implementation

During our review, we noted that the management of grant files greatly depended on the individual practices of the respective department and Program Administrator managing the grant. Operational inefficiencies exist due to a number of grant related documents (e.g., contracts, correspondences, etc.) being inconsistently stored in various locations (e.g., department drive on the server, on the City's intranet/SharePoint site, or on an individual's local drive). Additionally, we noted that grant documents follow the naming convention of each individual Program Administrator, which caused a lack of a uniformity in the file naming methodology and further increased operational inefficiencies.

We recommend that Management establish a harmonized document management methodology for City-wide implementation. Benefits from good document management practices include:

- **Better data management:** Minimizes the risk of data loss since files are centralized and backed-up in accordance with established schedules
- **Reliable document version control:** Documents that follow a standardized naming convention and are stored in a centralized repository can easily be identified as the most current
- **Increased time-cost savings and productivity:** Less staff time wasted in searches for specific documents
- **Increased accessibility and oversight:** Staff and Management can access files for review

4	Finding	Inefficient workflows exist because Program Administrators rely heavily on self-maintained spreadsheets rather than utilizing the MUNIS system to manage grants.
	Recommendation	Assess the feasibility of implementing the Grant Manager module within the MUNIS system for tracking and monitoring of City grants.

Program Administrators have minimal interaction with MUNIS for the purposes of grant management as the value of the MUNIS system for such purposes is not fully understood by staff outside of the Finance Department. As a result, many Program Administrators rely heavily on self-maintained spreadsheets manual processes, and tasks to monitor program activities and financial information. Not utilizing the automated workflows, which are typical to an ERP system, decreases operating efficiency as staff resources are spent performing additional activities to ensure the validity and accuracy of information.

To promote efficient workflows and provide a single location to review grant activity, Management should assess the feasibility of implementing the Grant Manager module within the MUNIS system for tracking, monitoring, and reporting grants activities.



Additionally, to ensure City staff are fully leveraging available IT systems, Management should obtain an understanding of the training needs and opportunities within the various departments. Based on the information obtained, Management should provide education and training opportunities to address staff training needs.

5	Finding	City departments reported opportunities for the Finance Department to strengthen communication related to grants.
	Recommendation	Utilize documented policies and procedures, employee training opportunities, and internal memos to communicate Management's expectations and objectives related to grants.

In general, City departments reported overall positive levels of satisfaction with the Finance Department. However, Program Administrators reported a need for the Finance Department to provide more proactive communication regarding their expectations as well as timely feedback when items are not being done correctly.

Per COSO, communication is the continual, iterative process of providing, sharing, and obtaining necessary information. Internal communication is the means by which information is disseminated throughout the organization, flowing up, down, and across the entity. It enables personnel to receive a clear message from Management that control responsibilities must be taken seriously.⁵

To promote good communication between City departments, the Finance Department should consider the following to ensure its expectations are adequately communicated to Program Administrators:

- Ensure Management's objectives and expectations are documented in the form of policies and procedures (see *Finding No. 1* and *Finding No. 2*).
- Provide training to staff to ensure Management's expectations and objectives are communicated clearly. Provide refresher training on a recurring frequency and as needed.
- Issue internal memoranda to address new matters when they are observed.

C. GRANT COMPLIANCE TESTING

6	Finding	For the Safe Routes to School grant, the final report was submitted to the granting agency after the required due date.
	Recommendation	Ensure all grant reports and billings are submitted timely and in accordance with grant requirements.

During our review of the Safe Routes to School grant, we noted the final report was submitted 30 days after the required due date. Section 5 of the Program Supplement Agreement No. 0H94 Rev.000 to Administering Agency State Master Agreement No. 00304S, states:

⁵ COSO, *Internal Control - Integrated Framework*



"ADMINISTERING AGENCY agrees to submit the final report documents that collectively constitute a "Report of Expenditures" within one hundred eighty (180) days of PROJECT completion. Failure of ADMINISTERING AGENCY to submit a "Final Report of Expenditures" within 180 days of PROJECT completion will result in STATE imposing sanctions upon ADMINISTERING AGENCY in accordance with the current Local Assistance Procedures Manual."

However, final payment for this grant was received from the State of California, indicating no sanctions were imposed upon the City. Regardless, to mitigate any risk of future funding opportunities from being suspended, the City should ensure that invoices are submitted timely and in accordance with grant requirements.

7	Finding	For the Selective Traffic Enforcement grant, two of the 18 overtime requests tested received Management approval after overtime was performed.
	Recommendation	Ensure requests for overtime are approved prior to the requested overtime is performed.

During our review of the Selective Traffic Enforcement grant, we noted two of the 18 overtime (O/T) requests tested received Management approval days after overtime was performed.

PROGRAM	DATE O/T WAS PERFORMED	DATE O/T REQUEST WAS APPROVED
Traffic Enforcement	12/27/2017	12/31/2017
Bike/Ped Ops	2/21/2018	2/28/2018

As best practice, a request for overtime should be approved by the appropriate supervisor/manager before the requested overtime is performed. This will ensure grant costs are supported by a system of internal controls that provide reasonable assurance that amounts charged are allowable. For instances when approval cannot be given in a timely manner, justification should be documented, approved by Management, and maintained for audit purposes.



APPENDIX A: GRANT COMPLIANCE TESTING

SCOPE AND METHODOLOGY

We selected a sample of five City grants for further testing to ensure compliance with grant awards and City policy. To assess the compliance over grants management and administration, we tested the following compliance areas and associated attributes:

Management Oversight

1. The responsible department had documented policies and procedures in place.
2. Grant applications less than or equal to \$50K were approved by the City Manager (and Department Head).
3. Grant applications greater than \$50K were approved by the City Council.
4. Grant related paperwork was communicated to the Accounting Department.
5. Original files were kept by the managing department based on the period of time required by the grant.

Allowability of Costs

1. Non-payroll costs were allowable in accordance with 2 CFR part 200 (where applicable).
 - a. Payroll costs were allowable in accordance with grant cost principles.
 - b. Job description was allowable under the terms of the grant contract.
2. Documentation existed to support amounts charged were accurate, allowable, and properly allocated.
3. Management reviewed supporting documentation of allowable cost information.
4. Required supporting documentation existed.
5. Program Manager reviewed all expenses and invoices.

Cash Management

1. If funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement was requested.

Period of Performance

1. Period of performance compliance requirements were met.
2. Person knowledgeable of period of availability of funds reviewed disbursements.

Procurement

1. Documented procurement procedures were followed in the acquisition of goods and services.
2. Based on the dollar threshold of the expenditure or the nature of the expenditures, the City satisfied the procurement requirements specified by the grant agreement.
3. Supervisory review of procurement and contracting decisions was performed.



Reporting

1. Reports were submitted as required by the grant agreement.
2. Amounts submitted for reimbursement agreed to supporting documentation for the number of units performed for the period.
3. Supervisory review of reports was performed to assure accuracy and completeness of data and information included in the reports.

Special Tests & Provisions

1. Compliance requirements with special test and provisions specified by the grant contract were met.
2. Required supporting documentation existed.

SAMPLE SIZE

Sample size varied by the population for the compliance area applicable to the respective grant. Our testing procedures consisted of a total sample size for the following compliance areas:

Compliance Area	Sample Size
Management Oversight	A sample of five grants
Allowability of Cost	A sample of 33 transactions of payroll and non-payroll related costs.
Cash Management	A sample of nine cash receipts
Period of Performance	Tested in conjunction with Allowability of Costs
Procurement	A sample of one vendor
Reporting	A sample of nine reporting periods
Special Test & Provisions	A sample of one grant specific grant requirement



APPENDIX B: CULVER CITY MANAGEMENT RESPONSES

Finding 1: The City's Grant Administration Policy is over four years old and contains outdated requirements.

Recommendation: The City should update the Grant Administration Policy to better address the current operating environment pertaining to grants.

Culver City's Management Response:

The City is in the process of updating the Grant Administration Policy. Staff is also reviewing "Sample" Grant Policies from other Cities as a guide. Once Finance has developed a draft policy that meets Moss Adams requirements, Finance will provide the draft policy to the Ad Hoc City Council Policies Subcommittee for their review and recommendation to City Council.

Finding 2: The City's procedures related to grant administration and management are over 10 years old.

Recommendation: The City should update Standard Operating Procedures (SOPs) to provide guidance over the grants management process.

Culver City's Management Response:

The City does have Administrative Procedures for Grant Management. Finance will be working with various departments to update the procedures and to address any grants that are unique to their department. Once the procedures have been finalized, Finance will schedule annual training for departments.

Finding 3: The City has experienced increased operational inefficiencies due to a lack of unified document management practices.

Recommendation: Establish a harmonized document management methodology for City-wide implementation.

Culver City's Management Response:

As part of the Proposed FY 2019/2020 Budget process, the Information Technology Department has submitted a Capital Improvement Program that will hire a consultant to digitize documents city-wide. Finance will ensure Grants documents from each department are included in this process. Once the project is complete the documents will be stored in a consistent naming convention and easily accessed on Culver Central (SharePoint). Each Department may need to budget a small amount annually for ongoing document management.



Finding 4: Inefficient workflows exist because Program Administrators rely heavily on self-maintained spreadsheets rather than utilizing the MUNIS system to manage grants.

Recommendation: Assess the feasibility of implementing the Grant Manager module within the MUNIS system for tracking and monitoring of City grants.

Culver City's Management Response:

The City has a Grant and Project Accounting Module as a part of the City's General Ledger Software. Finance currently has a temporary employee that specializes in software implementations and he will be working with Tyler Technologies and City Departments to develop and project timeline and to implement this module in FY 2020. This module has the capability of tracking grant activity, scanning in related grant documents and generating annual reports for all grant types.

Finding 5: City departments reported opportunities for the Finance Department to strengthen communication related to grants.

Recommendation: Utilize documented policies and procedures, employee training opportunities, and internal memos to communicate Management's expectations and objectives related to grants.

Culver City's Management Response:

The Finance Department will be creating a quarterly Grant Newsletter that informs departments of:

- Various internal control suggestions
- Grant accounting issues that have come up in Finance or other departments
- Shared ideas for grants management
- Updates of changes to current policies and procedures
- Any Auditor concerns

Finding 6: For the Safe Routes to School grant, the final report was submitted to the granting agency after the required due date.

Recommendation: Ensure all grant reports and billings are submitted timely and in accordance with grant requirements.

Culver City's Management Response:

As indicated in Response #4, the City will utilize the Grants Module in Munis to maintain a master schedule of all grants and create notifications for grant reporting deadlines and due dates.



Finding 7: For the Selective Traffic Enforcement grant, two of the 18 overtime requests tested received Management approval after overtime was performed.

Recommendation: Ensure requests for overtime are approved prior to the requested overtime is performed.

Culver City's Management Response:

The process to manage grant related overtime hours is different from normal overtime worked within the department. All overtime hours related to grants are pre-approved by the Police Department's Management Staff and the overtime hours are posted on a board for Police Officers to sign up. The officers who are interested in working overtime, sign up on the sheet. After the overtime is performed, management would then sign off on the Police Officer's overtime sheets. Since the audit, the Police Department now maintains copies of the pre-approved overtime hours so that information is available for review during an audit and the officer's overtime hours are now approved electronically in Executime.

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