

To the City Council  
City of Carson  
Carson, California

In planning and performing our audit of the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information City of Carson, California (the City), as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weakness, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did identify deficiencies in internal control that we consider to be material weaknesses and significant deficiencies that we have communicated to the City Council in a separate letter dated June 27, 2019. In addition, as discussed below, we identified certain other matters involving the internal control and operational matters that are presented for your consideration. This letter does not affect our report dated June 27, 2019, on the financial statements of the City. Our comments and recommendations, which have been discussed with the appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. Our comments and recommendations for improvement are summarized as follows:

### **Interest Receivable**

The City is not correctly calculating and recording interest receivable on all City investments. Only interest receivable on investments in LAIF are being recorded as of year-end. Although the unrecorded interest receivable on the other investments is not significant to the financial statements, it is still an appropriate practice to calculate and accrue such interest. We recommend that management implement procedures as part of the year-end closing process to prepare a schedule of interest receivable that takes all investments into account.

## Monthly Investment Reports

Article XV of the City's investment policy related to reporting indicates that the monthly investment reports must be rendered to City Council. During our testing of investment reports, we requested the December 2017 investment report; however, it was not available for us to review. We recommend that management modify the controls over the preparation of the monthly investment reports to ensure that they are rendered to City Council and are made available for those who may request a copy at a later date.

## Deposits Payable

The City collects deposits from developers and other various sources that may be refundable upon satisfaction of certain City terms. In some cases, the developer or other depositor may forfeit the deposit, which the City would then record as revenue. During our review of deposit payable accounts we noted that the source and current status of some deposits were uncertain and required further investigation. We recommend the City continue to make efforts to further analyze its outstanding deposits payable balances to determine the true balance of refundable deposits.

This communication is intended solely for the information and use of management, the City Council, and others within the City, and is not intended to be, and should not be, used by anyone other than these specified parties.

*White Nelson Diehl Evans LLP*

Irvine, California  
June 27, 2019