

PORT OF LOS ANGELES
(Harbor Department of the City of Los Angeles)

SINGLE AUDIT REPORTS

FOR THE YEAR ENDED JUNE 30, 2015



**PORT OF LOS ANGELES
(Harbor Department of the City of Los Angeles)**

**Single Audit Reports
For the Year Ended June 30, 2015**

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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 Board of Commissioners
Port of Los Angeles (Harbor Department of the City of Los Angeles):

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 Port of Los Angeles (Harbor Department of the City of Los Angeles) (the Port), an enterprise fund of the City of Los Angeles, California, as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated November 23, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Port'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Port's internal control. Accordingly, we do not express an opinion on the effectiveness of the Port'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 may exist that have not been identified.





Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Port'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*.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script, reading "Simpson & Simpson".

Los Angeles, California
November 23, 2015



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**Independent Auditor's Report on Compliance for Each Major Program;
Report on Internal Control over Compliance; and Report on Schedule of Expenditures of
Federal Awards Required by OMB Circular A-133**

The Board of Commissioners
Port of Los Angeles (Harbor Department of the City of Los Angeles):

Report on Compliance for Each Major Federal Program

We have audited the compliance of the Port of Los Angeles (Harbor Department of the City of Los Angeles) (the Port) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Port's major federal programs for the year ended June 30, 2015. The Port's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Port'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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Port'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 of each major federal program. However, our audit does not provide a legal determination of the Port's compliance.



Opinion on Each Major Federal Program

In our opinion, the Port of Los Angeles 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, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2015-001 and 2015-002. Our opinion on each major federal program is not modified with respect to these matters.

The Port's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Port'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 Port 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 Port'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 OMB Circular A-133, 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 Port'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 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2015-001 and 2015-002 to be significant deficiencies.

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 were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.



The Port'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 Port'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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedules of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the basic financial statements of the Port as of and for the year ended June 30, 2015, and have issued our report thereon dated November 23, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

A handwritten signature in cursive script, appearing to read "Simpson & Simpson".

Los Angeles, California
November 23, 2015

PORT OF LOS ANGELES
(Harbor Department of the City of Los Angeles)

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

<u>Federal Grantor/Pass-through Grantor/Program or Cluster</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Federal Grant Expenditures</u>
U.S. Department of Transportation:			
Passed through State of California, Department of Transportation:			
Highway Planning and Construction - Phase I-SAFETEA-LU Bill 2005-2009	20.205	HPLUL-5006(757)	\$ 1,456,769
Highway Planning and Construction - I-110 Freeway and C Street Interchange Improvements	20.205	STPL-5006(761)	<u>2,238,863</u>
CFDA No. 20.205 Total			<u>3,695,632</u>
National Infrastructure Investments - TIGER II - West Basin Railyard Project	20.993	DTMA1G11003	1,959,564
Passed through State of California, Department of Transportation:			
Regional Surface Transportation Program (RSTP) - Port Truck Traffic Reduction Program - West Basin Railyard Project	20.993	CML 5006724	1,750,549
Congestion Mitigation and Air Quality (CMAQ) - Port Truck Traffic Reduction Program - West Basin Railyard Project	20.993	CML 5006724	<u>2,764,003</u>
CFDA No. 20.993 Total			<u>6,474,116</u>
Total U.S. Department of Transportation			<u>10,169,748</u>
U.S. Department of Homeland Security:			
Port Security Grant Program Round 12 Supplemental Projects	97.056	EMW-2012-PU-00151	4,768,645
Port Security Grant Program Round 13 Supplemental Projects	97.056	EMW-2013-PU-00386	<u>596,362</u>
Total U.S. Department of Transportation			<u>5,365,007</u>
Total Expenditures of Federal Awards			<u>\$ 15,534,755</u>

See accompanying notes to schedule of expenditures of federal awards and independent auditor's report on compliance for each major program; report on internal control over compliance; and report on schedule of expenditures of federal awards required by OMB Circular A-133.

PORT OF LOS ANGELES
(Harbor Department of the City of Los Angeles)

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of all federal award programs of the Port of Los Angeles (Harbor Department of the City of Los Angeles) (the Port) for the year ended June 30, 2015. The information in the Schedule is presented in accordance with requirements of U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the Port, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Port.

For the purposes of the Schedule, federal awards include all grants and contracts entered into directly between the Port and agencies and departments of the federal government and pass-through agencies.

2. Summary of Significant Accounting Policies

The accompanying Schedule is prepared based on the accrual basis of accounting. Expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, wherein certain type of expenditures are not allowed or are limited as to reimbursements. Pass-through entity identifying numbers are presented where applicable.

3. Subrecipients

The Port did not have any subrecipients during the reporting period.

PORT OF LOS ANGELES
(Harbor Department of the City of Los Angeles)

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

4. Federal Financial Assistance

Pursuant to the Single Audit Act and the OMB Circular A-133 Compliance Supplement, federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, or direct appropriations. Accordingly, nonmonetary federal assistance is included in federal financial assistance and, therefore, is reported on the Schedule, if applicable. Federal financial assistance does not include direct federal cash assistance to individuals. Solicited contracts between the state and federal government for which the federal government procures tangible goods or services are not considered to be federal financial assistance.

5. Major Federal Programs

The Single Audit Act and OMB Circular A-133 establish criteria to be used in defining major federal financial assistance programs. Major programs for the Port are those programs selected for testing by the auditor using risk assessment model, as well as certain minimum expenditure requirements, as outlined in OMB Circular A-133. Programs with similar requirements may be grouped into a cluster for testing purposes.

PORT OF LOS ANGELES
(Harbor Department of the City of Los Angeles)

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015**

A. Summary of Auditor's Results:

Financial Statements:

- | | |
|--|------------|
| 1. Type of report issued on the financial statements of the Port of Los Angeles (Port): | Unmodified |
| 2. Internal control over financial reporting: | |
| • Material weakness(es) identified? | No |
| • Significant deficiency(ies) identified that is (are) not considered to be material weaknesses? | No |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards:

- | | |
|--|---|
| 4. Internal control over major program: | |
| • Material weakness(es) identified? | No |
| • Significant deficiency(ies) identified that is (are) not considered to be material weaknesses? | Yes
Finding Nos.
2015-001 and
2015-002 |

5. Identification of major programs and type of report issued on compliance for major programs:

<u>CFDA Number</u>	<u>Program Title</u>	<u>Type of Report</u>
20.205	U.S. Department of Transportation – Highway Planning and Construction	Unmodified
97.056	U.S. Department of Homeland Security – Port Security Grant Program	Unmodified

- | | |
|---|---|
| 6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | Yes
Finding Nos.
2015-001 and
2015-002 |
| 7. The dollar threshold used to distinguish between Type A and Type B programs: | \$466,042 |
| 8. The Port qualifies as a low-risk auditee? | Yes |

PORT OF LOS ANGELES
(Harbor Department of the City of Los Angeles)

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

B. Findings Relating to the Financial Statements Reported in Accordance with Government Auditing Standards:

None noted.

C. Findings and Questioned Costs relating to Federal Awards:

Two findings are reported in the “Independent Auditor’s Report on Compliance for Each Major Program and Report on Internal Control Over Compliance required by OMB Circular A-133.” See Finding Nos. 2015-001 and 2015-002.

PORT OF LOS ANGELES
(Harbor Department of the City of Los Angeles)

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

Finding No. 2015-001 Noncompliance with Activities Allowed/Unallowed

Federal Program Information

<i>Federal Catalog Number:</i>	20.205
<i>Federal Program Name:</i>	Highway Planning and Construction – I-110 Freeway and C Street Interchange Improvements
<i>Federal Agency:</i>	U.S. Department of Transportation
<i>Pass-Through Entity:</i>	California Department of Transportation (CalTrans)
<i>Federal Award Number and Award Year:</i>	STPL-5006(761) (2013)

Criteria or Requirement

According to the Program Supplement Agreement No. 506-N to Administering Agency-State Agreement No. 07-5006R and the approved Finance Letter issued by the U.S. Department of Transportation, the following are the “Non-participating bid items” for the “I-110 Freeway On/Off Ramp at C Street Interchange” project:

<u>Bid Item No.</u>	<u>Bid Item Description</u>
Item No. 1	Lump Sum Construction
Item No. 34	B-Permit Work
Item No. 43	Storm Drainage System
Item No. 44	Sanitary Sewerage System
Item No. 47	LADWP Electrical Underground
Item No. 52	Unforeseen Utility, Above Ground, and Below Ground Structures, Modifications, Abandonment, Removals, and Additions (Contingency Allowance Item)
Item No. 53	Quality Assurance (Contingency Allowance Item)
Item No. 58	Perform Work Associated with Regulatory Agencies Changes and Additional Requirements (Contingency Allowance Item)
Item No. 59	Partnering Facilitator (Contingency Allowance Item)
Item No. 61	Design Modifications As Directed by the Engineer (Contingency Allowance Item)
Item No. 62	Pre-Construction Existing Underground Utilities and Substructures Investigation (Contingency Allowance Item)
Item No. 63	Unforeseen Environmental and Cultural Findings (Contingency Allowance Item)

PORT OF LOS ANGELES
(Harbor Department of the City of Los Angeles)

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

Finding No. 2015-001 Noncompliance with Activities Allowed/Unallowed (continued)

According to OMB A-133 Compliance Supplement, federal funds can be used only to reimburse costs that are (a) incurred subsequent to the date of authorization to proceed, except for certain property acquisition costs permitted under 23 USC 108 and certain emergency repair work under 23 USC 125; (b) in accordance with the conditions contained in the project agreement and the plans, specifications, and estimates (PS&E); (c) allocable to a specific project; and (d) claimed for reimbursement subsequent to the date of the project agreement (23 CFR sections 1.9, 630.106, and 630.205).

Condition

During our procedures performed over the activities allowed/unallowed requirement of the program, we noted that two invoices submitted for reimbursement included non-participating bid items. Total exceptions amounted to \$45,446 of \$2,055,050 sampled from total expenditures incurred under grant agreement no. STPL-5006(761) in the amount of \$2,238,863.

Questioned Costs

\$45,446

Cause and Effect

According to the Port's personnel, the above mentioned condition is due to 1) staff oversight when preparing the Reimbursement Request Invoice No. 3 and 2) bid items were not itemized on the vendor invoices, and therefore staff was unable to identify the non-participating bid items when preparing the Reimbursement Request Invoice No. 4.

Consequently, non-participating bid items were included in the Reimbursement Requests and the Port is not in compliance with the activities allowed/unallowed requirement.

PORT OF LOS ANGELES
(Harbor Department of the City of Los Angeles)

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

Finding No. 2015-001 Noncompliance with Activities Allowed/Unallowed (continued)

Recommendation

We recommend that the Port personnel who are responsible for preparing the Reimbursement Request should review and analyze the vendor invoices to ensure that only participating items are being included. The Port personnel should request its vendors to provide an invoice that identifies costs by bid items. In addition, we recommend that the Port strengthen its control and review procedures for Reimbursement Request preparation.

Management Response and Planned Corrective Action

The Engineering Division recognizes that non-participating bid items were included in two of the Reimbursement Requests and that the Port did not comply with the activities allowed/unallowed requirement. Immediately after recognizing this error, the Engineering Division reached out to the grant agency's representative regarding the oversight of the non-participating bid items on two of its invoices and proposed a corrective action. The grant agency's representative accepted the Port's proposed corrective action and requested that the Port revise its next invoice rectifying the amount in question. The grant agency's representative was understanding of the Port's error, and did not indicate that the Port would be penalized in any way for the error. Going forward, the Engineering Division will take further steps to strengthen controls for the review procedure for Reimbursement Request preparation. Staff in the Engineering Division is reviewing the Bid Items which are itemized on Payment Form which is generated by the Construction Division.

Responsible Person: Mimi Gutierrez, Civil Engineer Associate II
Anticipated completion date: June 30, 2016

PORT OF LOS ANGELES
(Harbor Department of the City of Los Angeles)

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

Finding No. 2015-002 Noncompliance with Equipment Management

Federal Program Information

<i>Federal Catalog Number:</i>	97.056
<i>Federal Program Name:</i>	Port Security Grant Program (PGSP)
<i>Federal Agency:</i>	U.S. Department of Homeland Security
<i>Pass-Through Entity:</i>	N/A
<i>Federal Award Number and Award Year:</i>	EMW-2013-PU-00386 (2013)

Criteria or Requirement

Title 44 – Emergency Management and Assistance, Part 31 – Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments, Subpart C – Post-Award Requirements, Section 13.32 – Equipment.

(d) *Management requirements.* Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition date including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated.
- (4) Adequate maintenance procedures must be developed must be developed to keep the property in good condition.
- (5) If the grantee or subgrantee is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return.

According to OMB A-133 Part 3, Subpart F –Equipment and Real Property Management, the compliance requirements for equipment management are as follows:

PORT OF LOS ANGELES
(Harbor Department of the City of Los Angeles)

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

Finding No. 2015-002 Noncompliance with Equipment Management (continued)

Local governments and Indian tribes shall follow the A-102 Common Rule for equipment acquired under federal awards received directly from a federal awarding agency. Institutions of higher education, hospitals, and other non-profit organizations shall follow the provisions of OMB Circular A-110. Basically, the A-102 Common Rule and OMB Circular A-110 require that equipment be used in the program for which it was acquired or, when appropriate, other federal programs. Equipment records shall be maintained, a physical inventory of equipment shall be taken at least once every 2 years and reconciled to the equipment records, an appropriate control system shall be used to safeguard equipment, and equipment shall be adequately maintained. When equipment with a current per unit fair market value of \$5,000 or more is no longer needed for a federal program, it may be retained or sold with the federal agency having a right to a proportionate (percent of federal participation in the cost of the original project) amount of the current fair market value. Proper sales procedures shall be used that provide for competition to the extent practicable and result in the highest possible return.

Condition

During our procedures performed over the equipment management requirements of the PGSP program, it came to our attention that the equipment purchased in the amount of \$134,447 during fiscal year 2015 using the Round 13 grant funds were not included in the equipment inventory list maintained by the Information Technology (IT) Division. Also, we noted the serial number or other identification number and location are not included in the equipment inventory list maintained by the IT Division.

Questioned Costs

None noted.

Cause and Effect

According to the Port's IT personnel, the aforementioned condition is due to the misunderstanding between the Port's Police Division and the IT Division, as to which division should be maintaining the equipment inventory list.

As a result, the Port is not in compliance with the equipment management requirement.

PORT OF LOS ANGELES
(Harbor Department of the City of Los Angeles)

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

Finding No. 2015-002 Noncompliance with Equipment Management (continued)

Recommendation

We recommend that the Port personnel adhere to the Port's established equipment and real property management policies and procedures and maintain an updated and comprehensive equipment inventory list. We also recommend that the Port single audit manager/coordinator ensures that the division administering the federal program understands its responsibility and adheres to the federal requirements.

Management Response and Planned Corrective Action

The Port personnel at the IT Division have maintained the equipment inventory list for the equipment purchased with the Round 13 grant funds. However, the list was not updated to include certain information required by the Federal requirements. Immediately after the Port personnel were informed about the Federal requirements, the equipment inventory list has been updated to include the required information. Going forward, the Port personnel will coordinate efforts among divisions administering and spending the federal funding so that the equipment inventory list is updated and maintained in accordance with the Federal requirements.

Responsible Person: Tony Zhong, IT Security and Network Manager
Anticipated completion date: June 30, 2016

PORT OF LOS ANGELES
(Harbor Department of the City of Los Angeles)

Status of Prior Year's Findings
For the Year Ended June 30, 2015

Finding No. 2014-001 Noncompliance with Reporting

Federal Program Information

<i>Federal Catalog Number:</i>	20.933
<i>Federal Program Name:</i>	National Infrastructure Investments – TIGER II – West Basin Railyard Project, Regional Surface
<i>Federal Agency:</i>	U.S. Department of Transportation (DOT)
<i>Pass-Through Entity:</i>	California Department of Transportation
<i>Federal Award Number and Award Year:</i>	(Caltrans) DTMA1G11003 (2011-2015) and
<i>CML-</i>	5006(724) (2011-2015)

Criteria or Requirement

Under the grant agreement with DOT for the TIGER II project:

According to Section 3 – Report Requirement of the grant agreement, several types of reports are required of the Port in order to be in compliance with DOT funding. Consistent with the purposes of the TIGER II Discretionary Grant Program, to ensure accountability and transparency in Government spending, the Port is required to submit quarterly progress reports and the Federal Financial Report (SF-425), Quarterly Progress Reports to the Government on a quarterly basis, beginning on the 20th of the first month of the calendar year quarter following the execution of the Agreement, and on the 20th of the first month of each calendar year quarter thereafter until completion of the Project (April 20, July 20, October 20, January 20). The initial report shall include a detailed description, and, where appropriate, drawings, of the items funded.

Under the pass-through grant agreement with Caltrans:

In accordance with Subsection 4.3 of Reporting and Audit Requirements of the grant agreement, the Port shall submit the Quarterly Progress Report with 60 days after the close of each quarter on the last day of the months November, February, May, and August. Under Attachment D – Reporting & Expenditure Guidelines of the grant agreement, the Quarterly Progress/Expenditure Report is due to the Los Angeles County Metropolitan Transportation Authority (LACMTA) as the Programing Agency, as soon as possible after the close of each quarter, but no later than the following dates for each fiscal year:

PORT OF LOS ANGELES
(Harbor Department of the City of Los Angeles)

**Status of Prior Year's Findings
For the Year Ended June 30, 2015**

Finding No. 2014-001 Noncompliance with Reporting (Continued)

Quarter	Report Due Date
July – September	November 30
October – December	February 28
January – March	May 31
April – June	August 31

Condition

During our procedures performed over the reporting requirements of the program, we noted several reports were submitted late as listed below:

<u>No.</u>	<u>Name of Program</u>	<u>Type of Report</u>	<u>Reporting Period</u>	<u>Report Due Date</u>	<u>Date Submitted</u>
1	TIGER II, West Basin Railyard	Quarterly Progress Report	7/1/2013- 9/30/2013	10/20/2013	11/7/2013
2	TIGER II, West Basin Railyard	Quarterly Progress Report	1/1/2014- 3/31/2014	4/20/2014	5/23/2014
3	TIGER II, West Basin Railyard	SF-425	7/1/2013- 9/30/2013	10/20/2013	11/7/2013
4	TIGER II, West Basin Railyard	SF-425	1/1/2014- 3/31/2014	4/20/2014	5/23/2014
5	RSTP/CMAQ	Quarterly Progress Report	10/1/2013- 12/31/2013	2/28/2014	10/22/2014
6	RSTP/CMAQ	Quarterly Progress Report	4/1/2014- 6/31/2014	8/31/2014	10/22/2014

Questioned Costs

None noted.

Cause and Effect

The reporting responsibility was transferred to a new hire who was not familiar with the reporting requirement. As a result, the reports were prepared and submitted late. The Port is not in compliance with the reporting requirement. Noncompliance could result in retraction of federal funds by the awarding agency.

PORT OF LOS ANGELES
(Harbor Department of the City of Los Angeles)

Status of Prior Year's Findings
For the Year Ended June 30, 2015

Finding No. 2014-001 Noncompliance with Reporting (Continued)

Recommendation

We recommend that the Port provide training and supervision to the new hire responsible for grant administration to ensure compliance with grant requirements.

Management Response and Planned Corrective Action

The Engineering Division recognizes that certain TIGER II and RSTP/CMAQ grant progress reports were submitted to the grant agency past the due dates. However, the Engineering Division was in contact with the grant agency representatives regarding the late submittal of the reports, and provided updates on finalizing the reports along with revised submittal dates. The grant agencies were understanding of the Port's delay in submitting the reports, and did not indicate that the Port would be penalized in any way for missing the deadlines.

Going forward, advanced notices of all grant reporting submittal deadlines will be provided to the report preparers in order to allow sufficient time to complete and submit the reports prior to the required deadlines. The division will take steps to train new hires assigned to prepare and submit the reports to ensure timely submission of required reports.

Current Year Status

The Planned corrective action has been implemented. The federal grantor has reviewed the corrective actions taken by the Port and determined that the finding is resolved and closed.

PORT OF LOS ANGELES
(Harbor Department of the City of Los Angeles)

Status of Prior Year's Findings
For the Year Ended June 30, 2015

Finding No. 2014-002 Noncompliance with Subrecipient Monitoring

Federal Program Information

<i>Federal Catalog Number:</i>	97.056, 97.116
<i>Federal Program Name:</i>	Port Security Grants
<i>Federal Agency:</i>	U.S. Department of Homeland Security
<i>Pass-Through Entity:</i>	N/A
<i>Federal Award Number and Award Year:</i>	2008-GB-T8-K014 (2008-2013)

Criteria or Requirement

According to the OMB A-133, Subpart D, Section .400(d), a pass-through entity shall perform the following for the federal awards it makes:

- (1) Identify federal awards made by informing each subrecipient of CFDA title and number, award name and number, award year, if the award is R&D, and name of federal agency. When some of this information is not available, the pass-through entity shall provide the best information available to describe the federal award.
- (2) Advise subrecipients of requirements imposed on them by federal laws, regulations, and the provisions of contracts or grant agreements as well as any supplemental requirements imposed by the pass-through entity.
- (3) Monitor the activities of subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.
- (4) Ensure that subrecipients expending \$500,000 or more in federal awards during the subrecipient's fiscal year have met the audit requirements of this part for that fiscal year.
- (5) Issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action.
- (6) Consider whether subrecipient audits necessitate adjustment of the pass-through entity's own records.
- (7) Require each subrecipient to permit the pass-through entity and auditors to have access to the records and financial statements as necessary for the pass-through entity to comply with this part.

PORT OF LOS ANGELES
(Harbor Department of the City of Los Angeles)

Status of Prior Year's Findings
For the Year Ended June 30, 2015

Finding No. 2014-002 Noncompliance with Subrecipient Monitoring (Continued)

Condition

During our testing of the compliance over subrecipient monitoring requirement, we noted that the Port did not obtain the OMB Circular A-133 report from one subrecipient under the Port Security Grant Program. The OMB Circular A-133 report was requested and received subsequent to our request and has not been reviewed by the Port's staff. However, we noted that other periodical financial and performance reports were submitted by the subrecipient and reviewed by the Port's staff.

Questioned Costs

None noted.

Cause and Effect

The Port's management performed site visits and desk reviews for all subrecipients of the round 8 grant agreement. However, obtaining and reviewing the subrecipient's OMB Circular A-133 report is not part of the monitoring process. As a result, the Port is not fully in compliance with the subrecipient monitoring requirement. Noncompliance could result in retraction of federal funds by the awarding agency.

Recommendation

We recommend that the Port obtain and review the subrecipient's OMB Circular A-133 report.

Management Response

At the time of the Site Visit in May 2013, the Port was able to obtain a copy of the subrecipient's OMB Circular A-133 report for FY 2010-11, and that was the only one available on file. It was an oversight that copies of FY 2011-12 and FY 2012-13 were not obtained in a timely manner. Port Security Grant Round 8 has expired on May 31, 2013. The subrecipient's OMB Circular A-133 report for FY 2011-12 and FY 2012-13 are now on file.

In the future, the Port will closely monitor subrecipients for OMB Circular compliance.

Current Year Status

The Planned corrective action has been implemented. The federal grantor has reviewed the corrective actions taken by the Port and determined that the finding is resolved and closed.