



February 3, 2020

State Controller's Office
Division of Audits
ATTN: Financial Audits Bureau/Single Audits Unit

Re: Revised Audit Report for 2017-18 Fiscal Year Los Angeles Harbor Department Single Audit Report

Dear Mr. James:

This letter is in response to your letter noting the result of the desk review of the single audit report package (containing Comprehensive Annual Financial Report, or CAFR, and Single Audit Report) for the Port of Los Angeles (Harbor Department of the City of Los Angeles, California) (the Port) for the fiscal year ended June 30, 2018.

We have corrected the exceptions noted in your letter. Attached please find two attachments that contain the corrections. Attachment A is the revised audit opinion (pages 8-9) for the Port's 2017-18 CAFR with the references to the Other Postemployment Benefits (OPEB) schedules in the Required Supplementary Information paragraph. Attachment B is the revised Section III – Federal Award Findings and Questioned Costs (pages 10 and 12) identifying the name of the pass-through entity for the Port's 2017-18 Fiscal Year Single Audit Report.

In addition, a copy of this letter and revised audit reports as attached have been distributed to recipients of the Port's CAFR and/or Single Audit Report via emails, Federal Audit Clearinghouse, and the SCO's FTP site. The PDF copy of this letter and revised audit reports have also been merged to the PDF of the Port's CAFR and the PDF of Single Audit Report. These two revised PDF's have been posted to the Port's website at the URL below:

<https://www.portoflosangeles.org/business/finance/financial-statements>

If you have any questions regarding this submission, please feel free to contact me at (213) 408-8676.

Sincerely,

James V. Godsey
Partner
Macias, Gini & O'Connell LLP

Attachments

cc. Port of Los Angeles (Harbor Department of the City of Los Angeles, California)

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Port of Los Angeles (Harbor Department of the City of Los Angeles) (Port), an enterprise fund of the City of Los Angeles, California, as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Port's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Port's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Port, as of June 30, 2018 and 2017, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Port and do not purport to, and do not, present fairly the financial position of the City of Los Angeles, California, as of June 30, 2018 and 2017, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

As discussed in Note 2, effective July 1, 2017, the Port adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of proportionate share of the net pension liability and related ratios and net OPEB liabilities and schedules of pension and OPEB contributions, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2018, on our consideration of the Port's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Port's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port's internal control over financial reporting and compliance.



Los Angeles, California
December 4, 2018

PORT OF LOS ANGELES
(Harbor Department of the City of Los Angeles, California)
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2018

Section II – Financial Statement Findings

A. Internal Control Matters

None reported.

B. Compliance Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

Compliance Findings:

Reference Number:	2018-001
Federal Program Title:	Highway Planning and Construction
Federal Catalog Number:	20.205
Federal Agency:	U.S. Department of Transportation Agency
Federal Award Number and Year:	TCIFCML-5006(818)
Pass-Through Agency:	State of California, Department of Transportation
Category of Finding:	Reporting

Criteria:

In accordance with 2 CFR Section 200.328 -- Monitoring and Reporting Program Performance, the Port is required to perform the following:

(a) *Monitoring by the non-Federal entity.* The non-Federal entity is responsible for oversight of the operations of the Federal award supported activities. The non-Federal entity must monitor its activities under Federal awards to assure compliance with applicable Federal requirements and performance expectations are being achieved.

(b) *Non-construction performance reports.* The non-Federal entity must submit performance reports at the interval required by the Federal awarding agency...”

In addition, in accordance with 2 CFR Section 200.303 – Internal Controls, “The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.”

Further, the agreement between the Port and the Department of Transportation stated that the Port should submit the final report documents that collectively constitute a “Report of Expenditures” within one hundred eighty (180) days of project completion.

PORT OF LOS ANGELES
(Harbor Department of the City of Los Angeles, California)
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2018

additional time is required beyond the one hundred eight (180) calendar days the Port will formally request a time extension.

3. Anticipated implementation date: April 30, 2019

Reference Number:	2018-002
Federal Program Title:	Highway Planning and Construction
Federal Catalog Number:	20.205
Federal Agency:	U.S. Department of Transportation
Federal Award Number and Year:	TCIFCML-5006(818)
Pass-Through Agency:	State of California, Department of Transportation
Category of Finding:	Suspension and Debarment

Criteria

In accordance with 2 CFR §180.300, when the Port enters into a covered transaction with another person at the next lower tier, the Port must verify that the person is not excluded or disqualified. The Port can do this by:

1. Checking the Excluded Parties List System (EPLS) (i.e. System for Award Management Exclusions); or
2. Collecting a certification from that person; or
3. Adding a clause or condition to the covered transaction with that person.

Per 2 CFR §180.985 *Person*, person means any individual, corporation, partnership, association, unit of government, or legal entity, however organized.

Condition

During our review of the Highway Planning and Construction grant, we noted that there was insufficient documentation to show the Port verified that a vendor was not suspended or debarred prior to entering into a covered transaction that was funded by a Federal award. Subsequent to the execution of the contract, the Port verified that the vendor was not suspended or debarred.

Cause

Due to an oversight, the Port did not verify whether the vendor was suspended or debarred prior to entering into the covered transaction that was funded by a Federal award.

Effect

Failure to verify suspension and debarment results in noncompliance with 2 CFR §180.300.

Questioned Costs

None.

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

Single Audit Report

For the Fiscal Year Ended June 30, 2018



Certified
Public
Accountants

PORT OF LOS ANGELES
(Harbor Department of the City of Los Angeles, California)
Table of Contents

	<i>Page</i>
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 <i>Government Auditing Standards</i>	1
Independent Auditor's Report on Compliance for the Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance.....	3
Schedule of Expenditures of Federal Awards.....	7
Notes to the Schedule of Expenditures of Federal Awards.....	8
Schedule of Findings and Questioned Costs.....	9



**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***

Honorable Members of the Board of Harbor 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, 2018, and the related notes to the financial statements, and have issued our report thereon dated December 4, 2018.

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

Macias Gini & O'Connell LLP

Los Angeles, California
December 4, 2018



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

Honorable Members of the Board of Harbor Commissioners
Port of Los Angeles (Harbor Department of the City of Los Angeles, California)

Report on Compliance for the Major Federal Program

We have audited the Port of Los Angeles (Harbor Department of the City of Los Angeles, California) (the Port) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Port’s major federal program for the year ended June 30, 2018. The Port’s major federal program is 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for the Port’s major federal program 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 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 for the major federal program. However, our audit does not provide a legal determination of the Port’s compliance.

Opinion on the Major Federal Program

In our opinion, the Port complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as items 2018-001 and 2018-002. Our opinion on the major federal program is not modified with respect to these matters.

The Port's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Port's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 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 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Port as of and for the year ended June 30, 2018, and the related notes to the financial statement. We issued our report thereon dated December 4, 2018, 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 the Uniform Guidance 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.

Macias Gini & O'Connell LLP

Los Angeles, California
March 22, 2019

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PORT OF LOS ANGELES
(Harbor Department of the City of Los Angeles, California)
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Catalog of Federal Domestic Assistance (CFDA) Number	Grant Number / Pass- Through Grantor's Number	Federal Expenditures
<u>U.S. Department of Labor</u>			
<i>Passed through State of California, Employment Development Department:</i>			
WIA Adult Program			
Model High Road Training Partnership Program	17.258	K7105619	\$ 2,027
Subtotal CFDA No. 17.258			<u>2,027</u>
Total U.S. Department of Labor			<u>2,027</u>
<u>U.S. Department of Transportation</u>			
<i>Passed through State of California, Department of Transportation:</i>			
Highway Planning and Construction			
Berth 200 Rail Yard	20.205*	CML-5006(724)	1,449,342
YTI Terminal Trip Reduction Program	20.205*	TCIFCML-5006(818)	1,436,749
I-110 Freeway on/off-ramp at C Street Interchange	20.205*	STPL-5006(761)	32,250
Subtotal CFDA No. 20.205			<u>2,918,341</u>
Total U.S. Department of Transportation			<u>2,918,341</u>
<u>U.S. Environmental Protection Agency</u>			
<i>Direct Program:</i>			
National Clean Diesel Emissions Reduction Program			
Crane Replacement Project	66.039	DE-83581601-0	1,803
Port Terminal Equipment	66.039	DE-99T42201-0	1,067
Subtotal CFDA No. 66.039			<u>2,870</u>
Total U.S. Environmental Protection Agency			<u>2,870</u>
<u>U.S. Department of Homeland Security</u>			
<i>Direct Program:</i>			
Port Security Grant Program			
Department Operation Center Integration Phase I	97.056	EMW-2015-PU-00450	364,732
Security System Maintenance, Repair and Integration	97.056	EMW-2016-PU-00474	340,514
Department Operation Center Integration Phase II	97.056	EMW-2016-PU-00474	140,310
Information Security Management System Integration & Maintenance	97.056	EMW-2016-PU-00474	655,020
Subtotal CFDA No. 97.056			<u>1,500,576</u>
Total U.S. Department of Homeland Security			<u>1,500,576</u>
Total Expenditures of Federal Awards			<u>\$ 4,423,814</u>

*Denotes major program

See Accompanying Notes to Schedule of Expenditures of Federal Awards.

PORT OF LOS ANGELES
(Harbor Department of the City of Los Angeles, California)
Notes to the Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2018

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, 2018. The information in the Schedule is presented in accordance with 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 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 position, 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

Expenditures reported on the accompanying Schedule is reported on the cash basis of accounting. 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. Pass-through entity identifying numbers are presented where applicable.

3. INDIRECT COST RATES

The Port has elected to not use the ten percent de minimis indirect cost rate as allowed under Uniform Guidance.

4. AMOUNTS PASSED THROUGH TO SUBRECIPIENTS

During the year ended June 30, 2018, the Port did not pass any grant funds to subrecipients.

PORT OF LOS ANGELES
(Harbor Department of the City of Los Angeles, California)
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2018

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

Type of auditor’s report issued on whether the financial Statements 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 the financial statements noted? No

FEDERAL AWARDS

Internal control over major federal programs:
Material weakness(es) identified? No
Significant deficiency(ies) identified? None reported

Type of auditor’s report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) Yes

Identification of major program:

CFDA Number	Name of Federal Program or Cluster
20.205	Highway Planning and Construction (Federal -Aid Highway Program)

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as a low-risk auditee? Yes

PORT OF LOS ANGELES
(Harbor Department of the City of Los Angeles, California)
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2018

Section II – Financial Statement Findings

A. Internal Control Matters

None reported.

B. Compliance Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

Compliance Findings:

Reference Number:	2018-001
Federal Program Title:	Highway Planning and Construction
Federal Catalog Number:	20.205
Federal Agency:	U.S. Department of Transportation Agency
Federal Award Number and Year:	TCIFCML-5006(818)
Category of Finding:	Reporting

Criteria:

In accordance with 2 CFR Section 200.328 -- Monitoring and Reporting Program Performance, the Port is required to perform the following:

(a) *Monitoring by the non-Federal entity.* The non-Federal entity is responsible for oversight of the operations of the Federal award supported activities. The non-Federal entity must monitor its activities under Federal awards to assure compliance with applicable Federal requirements and performance expectations are being achieved.

(b) *Non-construction performance reports.* The non-Federal entity must submit performance reports at the interval required by the Federal awarding agency...”

In addition, in accordance with 2 CFR Section 200.303 – Internal Controls, “The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.”

Further, the agreement between the Port and the Department of Transportation stated that the Port should submit the final report documents that collectively constitute a “Report of Expenditures” within one hundred eighty (180) days of project completion.

Condition:

Of the three (3) close-out reports selected as part of reporting testing, we noted that one (1) close-out report was not submitted. The program personnel did not comply with the Port’s policies and procedures over the preparation and timely submission of the reports.

PORT OF LOS ANGELES
(Harbor Department of the City of Los Angeles, California)
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2018

Cause:

The non-compliance as noted above was due to lack of enforcement of policies and procedures over the preparation and submission of reports.

Effect:

Lack of enforcement of policies and procedures, and lack of supervisory and review procedures led to non-compliance with 2 CFR Section 200.328, 2 CFR Section 200.303 and the grant agreement between the Port and Department of Transportation.

Questioned Costs:

None.

Context:

One (1) out of the three (3) close-out reports test was not submitted. The close-out report was due on November 2018, however, the report has not yet been submitted by the Port.

The sample tested was not statistically valid sample.

Recommendation:

The Port should enforce supervisory review as indicated in the policies and procedures to ensure all reports are prepared properly and submitted in a timely manner.

Management Response and Corrective Action Plan:

1. Person responsible: Ed Han, Civil Engineer
2. Corrective action plan:

The Port acknowledges that the close-out report has yet to be submitted, and understands the importance of providing the document in a timely manner. Project construction for TCIFCML-5006(818) completed in February 2018. Currently, the Port's Construction Division is preparing final payment and contract close-out documents. In order to close out the construction contract, bid item quantities and change orders need to be agreed upon between the Port and Contractor. This includes reviewing inspector reports and the gathering of supporting documents. In addition, final reports to various agencies such as Contract Compliance need to be submitted. These close out tasks often require more than one hundred eighty (180) calendar days to complete. However, the Port will continue its commitment to prepare and submit reports in a timely manner. If any additional time is required beyond the one hundred eight (180) calendar days the Port will formally request a time extension.

3. Anticipated implementation date: April 30, 2019

PORT OF LOS ANGELES
(Harbor Department of the City of Los Angeles, California)
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2018

Reference Number: 2018-002
Federal Program Title: Highway Planning and Construction
Federal Catalog Number: 20.205
Federal Agency: U.S. Department of Transportation
Federal Award Number and Year: TCIFCML-5006(818)
Category of Finding: Suspension and Debarment

Criteria

In accordance with 2 CFR §180.300, when the Port enters into a covered transaction with another person at the next lower tier, the Port must verify that the person is not excluded or disqualified. The Port can do this by:

1. Checking the Excluded Parties List System (EPLS) (i.e. System for Award Management Exclusions); or
2. Collecting a certification from that person; or
3. Adding a clause or condition to the covered transaction with that person.

Per 2 CFR §180.985 *Person*, person means any individual, corporation, partnership, association, unit of government, or legal entity, however organized.

Condition

During our review of the Highway Planning and Construction grant, we noted that there was insufficient documentation to show the Port verified that a vendor was not suspended or debarred prior to entering into a covered transaction that was funded by a Federal award. Subsequent to the execution of the contract, the Port verified that the vendor was not suspended or debarred.

Cause

Due to an oversight, the Port did not verify whether the vendor was suspended or debarred prior to entering into the covered transaction that was funded by a Federal award.

Effect

Failure to verify suspension and debarment results in noncompliance with 2 CFR §180.300.

Questioned Costs

None.

PORT OF LOS ANGELES
(Harbor Department of the City of Los Angeles, California)
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2018

Context

For the vendor selected for testing, the Port did not verify the vendor's suspension and debarment prior to entering into a covered transaction that was funded by a Federal award.

The sample tested was not statistically valid sample.

Recommendation

We recommend the Port strengthen its process to ensure that verification of suspension and debarment is performed for all vendors prior to entering into a covered transaction and maintain the evidence/documentation on file.

Management Response and Corrective Action

1. Person responsible: Mahsa Pan/Civil Engineer
2. Corrective action plan:

The Port understands the importance of adequate procedures and internal controls to ensure federal funds are not released to vendors that are suspended or debarred. When bids are received for a construction contract, the Port completes a Bid Evaluation checklist of the apparent low bidder. The Bidder Evaluation checklist, which includes verifying contractor's license, must be completed prior to award of the contract.

The Port's Construction Division will revise their Bid Evaluation checklist to include verifying that the apparent low bidder has provided their debarment and suspension certification for federally funded projects.

3. Anticipated implementation date: July 31, 2019



425 S. Palos Verdes Street Post Office Box 151 San Pedro, CA 90733-0151 TEL/TDD 310 SEA-PORT www.portoflosangeles.org

Eric Garcetti

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Commissioner

Eugene D. Seroka

Executive Director

March 22, 2019

SUBJECT: CORRECTIVE ACTION PLAN FOR THE PORT OF LOS ANGELES (HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES, CALIFORNIA) 2017-18 SINGLE AUDIT

In accordance with 2 Code of Federal Regulations (CFR) Part 200 – Uniform Administrative Requirement, Cost Principles, and Audit Requirement for Federal Awards (Uniform Guidance), the auditee is responsible for follow-up and corrective action plans on all single audit findings. As part of this responsibility, the Port of Los Angeles (Harbor Department of the City of Los Angeles, California) (the Port) has prepared a summary schedule of prior audit findings (Attachment No.1) and a corrective action plan for current year audit findings (Attachment No. 2).

Sincerely,

Marla Bleavins FOR

EUGENE D. SEROKA
Executive Director

MB/FL/Accounting Division
Author: F. Liu

Attachments

cc: Marla Bleavins, Deputy Executive Director
Tony Gioiello, Deputy Executive Director
Dave Walsh, Engineering Division
Edward Han, Engineering Division
Felicia Ansley, Contracts & Purchasing Division

Attachment No. 1 – Summary Schedule of Prior Audit Finding

PORT OF LOS ANGELES
(Harbor Department of the City of Los Angeles, California)
For the Fiscal Year Ended June 30, 2018

Finding No.	Program	CFDA No.	Compliance Requirement	Status of Corrective Action
2017-001	National Clean Diesel Emissions Reduction Program	66.039	Subrecipient Monitoring	Implemented
2017-002	National Clean Diesel Emissions Reduction Program	66.039	Reporting	Implemented

Attachment No. 2 – Corrective Action Plan for Current Year Audit Findings

PORT OF LOS ANGELES
(Harbor Department of the City of Los Angeles, California)
For the Fiscal Year Ended June 30, 2018

Reference Number: 2018-001
Federal Program Title: Highway Planning and Construction
Federal Catalog Number: 20.205
Federal Agency: U.S. Department of Transportation
Federal Award Number and Year: ICTFCML-5006(818)
Category of Finding: Reporting

Criteria:

In accordance with 2 CFR Section 200.328 -- Monitoring and Reporting Program Performance, the Port is required to perform the following:

- (a) Monitoring by the non-Federal entity. The non-Federal entity is responsible for oversight of the operations of the Federal award supported activities. The non-Federal entity must monitor its activities under Federal awards to assure compliance with applicable Federal requirements and performance expectations are being achieved.
- (b) Non-construction performance reports. The non-Federal entity must submit performance reports at the interval required by the Federal awarding agency..."

In addition, in accordance with 2 CFR Section 200.303 – Internal Controls, "The non-Federal entity must:

- 1. Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award."

Further, the agreement between the Port and the Department of Transportation stated that the Port should submit the final report documents that collectively constitute a "Report of Expenditures" within one hundred eighty (180) days of project completion.

Condition:

Of the three (3) close-out reports selected as part of reporting testing, we noted that one (1) close-out report was not submitted. The program personnel did not comply with the Port's policies and procedures over the preparation and timely submission of the reports.

Cause:

The non-compliance as noted above was due to lack of enforcement of policies and procedures over the preparation and submission of reports.

Effect:

Lack of enforcement of policies and procedures, and lack of supervisory and review procedures led to non-compliance with 2 CFR Section 200.328, 2CFR Section 200.303 and the grant agreement between the Port and Department of Transportation.

Questioned Costs:

None.

Context:

One (1) out of the three (3) close-out report test was not submitted. The close out report was due on November 2018; however, the Port did not yet submit the report.

All samples selected for testing are not statistically valid.

Recommendation:

The Port should enforce supervisory review as indicated in the policies and procedures to ensure all reports are prepared properly and submitted in a timely manner.

Management Response and Corrective Action Plan:

The Port acknowledges that the close out report has yet to be submitted, and understands the importance of providing the document in a timely manner. Project construction for TCIFCML-5006(818) completed in February 2018. Currently, the Port's Construction division is preparing final payment and contract close out documents. In order to close out the construction contract, bid item quantities and change orders need to be agreed upon between the Port and Contractor. This includes reviewing inspector reports and the gathering of supporting documents. In addition, final reports to various agencies such as Contract Compliance need to be submitted. These close-out tasks often require more than one hundred eighty (180) calendar days to complete. However, the Port will continue its commitment to prepare and submit reports in a timely manner. If any additional time is required beyond the one hundred eight (180) calendar days the Port will formally request a time extension.

Contact Person: Edward Han, Civil Engineer

Anticipated Implementation Date: April 30, 2019

Reference Number: 2018-002
Federal Program Title: Highway Planning and Construction
Federal Catalog Number: 20.205
Federal Agency: U.S. Department of Transportation
Federal Award Number and Year: TCIFCML-5006(818)
Category of Finding: Suspension and Debarment

Criteria:

In accordance with 2 CFR §180.300, when the Port enters into a covered transaction with another person at the next lower tier, the Port must verify that the person is not excluded or disqualified. The Port can do this by:

1. Checking the Excluded Parties List System (EPLS) (i.e. System for Award Management Exclusions); or
2. Collecting a certification from that person; or
3. Adding a clause or condition to the covered transaction with that person.

Per 2 CFR §180.985 Person, person means any individual, corporation, partnership, association, unit of government, or legal entity, however organized.

Condition:

During our review of the Highway Planning and Construction grant, we noted that there was insufficient documentation to show the Port verified that a vendor was not suspended or debarred prior to entering into a covered transaction that was funded by a Federal award. Subsequent to the execution of the contract, the Port verified that the vendor was not suspended or debarred.

Cause:

Due to an oversight, the Port did not verify whether the vendor was suspended or debarred prior to entering into the covered transaction that was funded by a Federal award.

Effect:

Failure to verify suspension and debarment results in noncompliance with 2 CFR §180.300.

Questioned Costs:

None

Context:

For the vendors selected for testing, the Port did not verify the vendor's suspension and debarment prior to entering into a covered transaction that was funded by a Federal award.

The sample tested was not statistically valid sample.

Recommendation:

We recommend the Port strengthen its process to ensure that verification of suspension and debarment is performed for all vendors prior to entering into a covered transaction and maintain the evidence/documentation on file.

Management Response and Corrective Action Plan:

The Port understands the importance of adequate procedures and internal controls to ensure federal funds are not released to vendors that are suspended or debarred. When bids are received for a construction contract, the Port completes a Bid Evaluation checklist of the apparent low bidder. The Bidder Evaluation checklist, which includes verifying contractor's license, must be completed prior to award of the contract.

The Port's Construction Division will revise their Bid Evaluation checklist to include verifying that the apparent low bidder has provided their debarment and suspension certification for federally funded projects.

Contact Person: Mahsa Pan, Civil engineer

Anticipated Implementation Date: July 31, 2019