

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

**SINGLE AUDIT REPORTS**

***FOR THE YEAR ENDED JUNE 30, 2013***



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

**Single Audit Reports  
For the Year Ended June 30, 2013**

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TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
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	3
Schedule of Expenditures of Federal Awards	6
Notes to Schedules of Expenditures of Federal Award	7
Schedule of Findings and Questioned Costs	9
Status of Prior Year's Findings	25



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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, 2013, and the related notes to the financial statements, and have issued our report thereon dated November 8, 2013.

**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 black ink, appearing to read 'Simpson &amp; Simpson'.

Los Angeles, California  
November 8, 2013



SIMPSON & SIMPSON  
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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, 2013. 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.



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### **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, 2013.

### **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 2013-1, 2013-2, 2013-3, 2013-4, 2013-5, and 2013-6. Our opinion on each major federal program is not modified with respect to these matters.

The Port's responses 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 these 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 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.

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. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2013-2 through 2013-5 that we consider to be significant deficiencies.



The Port's responses to the internal control over compliance 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 these responses.

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, 2013, and have issued our report thereon dated November 8, 2013, 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 &amp; Simpson'.

Los Angeles, California

January 10, 2014, except for our Report on Schedule of Expenditures of Federal Awards, for which the date is November 8, 2013

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

**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2013**

<u>Federal Grantor/Pass-through Grantor/ Program or Cluster Title</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Federal Grant Expenditures</u>
<b>U.S. Department of Transportation:</b>			
Passed through State of California, Department of Transportation:			
Highway Planning and Construction – Harry Bridges Boulevard Improvement Project – ISTEA Bill 2000-2004	20.205	LA07-5006R-396-N	\$ 814,498
ARRA – Highway Planning and Construction – Harry Bridges Boulevard (Note 4)	20.205	ESPL-5006-602	<u>(330,497)</u>
CFDA No. 20.205 Total			<u>484,001</u>
National Infrastructure Investments – TIGER II - West Basin Railyard Project	20.933	DTMA1G11003	5,624,983
Passed through State of California, Department of Transportation:			
Regional Surface Transportation Program (RSTP) – Port Truck Traffic Reduction Program – West Basin Railyard Project	20.933	CML 5006 724	228,515
Congestion Mitigation and Air Quality (CMAQ) – Port Truck Traffic Reduction Program – West Basin Railyard Project	20.933	CML 5006 724	<u>360,810</u>
CFDA No. 20.993 Total			<u>6,214,308</u>
Total U.S. Department of Transportation			<u>6,698,309</u>
<b>U.S. Environmental Protection Agency:</b>			
National Clean Diesel Emissions Reduction Program – Ecocrane Project	66.039	DE-83467301-0	224,990
National Clean Diesel Emissions Reduction Program – DERA Flex Grid	66.039	DE-00T36801-0	<u>1,212,838</u>
Total U.S. Environmental Protection Agency			<u>1,437,828</u>
<b>U.S. Department of Energy:</b>			
Passed through City of Los Angeles, Community Development Department:			
ARRA – Energy Efficiency and Conservation Block Grant	81.128	DE-EE0000869	<u>385,436</u>
Total U.S. Department of Energy			<u>385,436</u>
<b>U.S. Department of Homeland Security:</b>			
Port Security Grant Program Round 7 Supplemental Projects	97.056	2007-GB-T7-K429	1,873,228
Port Security Grant Program Round 8 Projects	97.056	2008-GB-T8-K014	<u>14,140,175</u>
Total U.S. Department of Homeland Security			<u>16,013,403</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 24,534,976</u></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, 2013**

**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, 2013. 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 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**

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**

Of the federal expenditures presented in the Schedule, the Port provided federal awards to subrecipients as follows:

Program Title	CFDA Number	Amount Provided to Subrecipients
Port Security Grant Program	97.056	\$ 11,238,558
National Clean Diesel Emissions Reduction Program	66.039	224,990

**4. Reclassification**

Expenditures for grant number ESPL-5006-602 reflect a credit balance due to the transfer of expenditures for Harry Bridges Boulevard project to grant number LA07-5006R-396-N. Both grants are reported under the U.S. Department of Transportation Highway Planning and Construction program (CFDA No. 20.205).

**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, 2013**

**5. 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.

**6. 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, 2013**

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

<b>CFDA Number</b>	<b>Program Title</b>	<b>Type of Report</b>
20.933	U.S. Department of Transportation – National Infrastructure Investments	Unmodified
66.039	U.S. Environmental Protection Agency – National Clean Diesel Emissions Reduction Program	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       |
| 7. The dollar threshold used to distinguish between Type A and Type B programs:                                       | \$736,049 |
| 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, 2013**

**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:**

Six 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. 2013-1 through 2013-6.

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

**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2013**

**Finding No. 2013-1 Noncompliance with Period of Availability**

**Federal Program Information**

<i>Federal Catalog Number:</i>	66.039
<i>Federal Program Name:</i>	National Clean Diesel Emissions Reduction Program - Ecocrane Project National Clean Diesel Emissions Reduction Program - DERA Flex Grid
<i>Federal Agency:</i>	U.S. Environmental Protection Agency
<i>Pass-Through Entity:</i>	N/A
<i>Federal Award Number and Award Year:</i>	DE-83467301-0 (2010) and DE-00T36801-0 (2010)

**Criteria or Requirement**

Title 40 – Protection of Environment, Part 31 – Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments, Subpart C – Post-Award Requirements, Section 31.23 – Period of Availability of Funds.

(b) *Liquidation of obligations.* A grantee must liquidate all obligations incurred under the award not later than 90 days after the end of the funding period (or as specified in a program regulation) to coincide with the submission of the annual Financial Status Report (SF-269). The Federal agency may extend this deadline at the request of the grantee.

**Condition**

During our procedures performed over the period of availability requirements of the program for one vendor and one subrecipient that had expenditures incurred totaling \$1,347,196 during the fiscal year ended June 30, 2013, we noted that the obligation to the subrecipient in the amount of \$134,358 was paid on December 12, 2012; thus, not within 90 days after end of the grant period on August 31, 2012. We noted that the Port did not obtain an extension of the liquidation deadline from the federal agency.

**Questioned Costs**

None noted.

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

**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2013**

**Finding No. 2013-1 Noncompliance with Period of Availability (Continued)**

Cause and Effect

Due to the close-out of the project, the Port performed a comprehensive close-out review prior to the payment of the final invoice submitted by the subrecipient. As a result, the Port is not in compliance with the period of availability requirement. Noncompliance could result in retraction of federal funds by the awarding agency.

Recommendation

We recommend that the Port adhere to the period of availability requirement. If additional time is required for the close-out review process, the Port should request for an extension of the liquidation deadline from the federal agency.

Management Response and Planned Corrective Action

The Port understands the importance of adhering to the period of availability requirement. It is the Port's policy to process all invoices within the 90 day close out period. The Port will closely monitor all invoices to ensure that they are processed within the required timeframe.

The Port's Grants Administration Office (GAO) will be implementing a grants policy manual to include a compliance section. The GAO will also work closely with the respective divisions to ensure that all obligations incurred under the award must be liquidated within 90 days after the end of the funding period or an extension can be requested if the obligations cannot be met.

Responsible Person: Christine Furusawa, Grants Manager  
Anticipated completion date: June 30, 2014

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

**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2013**

**Finding No. 2013-2 Noncompliance with Suspension and Debarment**

Federal Program Information

<i>Federal Catalog Number:</i>	66.039
<i>Federal Program Name:</i>	National Clean Diesel Emissions Reduction Program - Ecocrane Project National Clean Diesel Emissions Reduction Program - DERA Flex Grid
<i>Federal Agency:</i>	U.S. Environmental Protection Agency
<i>Pass-Through Entity:</i>	N/A
<i>Federal Award Number and Award Year:</i>	DE-83467301-0 (2010) and DE-00T36801-0 (2010)

Criteria or Requirement

Title 40 – Protection of Environment, Part 31 – Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments, Subpart C – Post-Award Requirements, Section 31.35 – Subawards to Debarred and Suspended Parties.

Grantees and subgrantees must not make any award or permit any award (subgrant or contract) at any tier to any party which is debarred or suspended or is otherwise excluded from or ineligible for participation in federal assistance programs under Executive Order 12549, “Debarment and Suspension.”

Condition

During our testing of one vendor and one subrecipient that had expenditures incurred totaling \$1,347,196 during the fiscal year ended June 30, 2013, we noted that both did not have certification of nonsuspension and debarment or Excluded Parties List System (EPLS) verification within its documentation. However, subsequent verification did not reveal that these vendor and subrecipient were suspended or debarred.

Total expenditures associated with contracts for which nonsuspension and debarment was not verified prior to disbursement of federal funds amounted to \$1,347,196 of the \$1,437,828 of total federal program expenditures for the National Clean Diesel Emissions Reduction Program - Ecocrane Project and DERA Flex Grid grants.

Questioned Costs

None noted.

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

**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2013**

**Finding No. 2013-2 Noncompliance with Suspension and Debarment (Continued)**

Cause and Effect

The Port has implemented a Suspension and Debarment review process for all new vendors and contractors and is in the process of extending the review process to existing vendors by conducting a review to ensure that the compliance with the suspension and debarment requirement is met for the existing contracts. Both vendor and contractor tested are existing vendor and contractor, and a review of the compliance has not been performed. As a result, the Port is not in compliance with the suspension and debarment requirement. Noncompliance could result in retraction of federal funds by the awarding agency.

Recommendation

We recommend that the Port expedite the implementation of the Suspension and Debarment review process to existing vendors and conduct a review to ensure that all compliance requirements are met for the duration of the contract.

Management Response and Planned Corrective Action

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. The Port exerts efforts to check existing vendors or contractors for suspension and debarment before a payment is made.

The Port's Grants Administration Office (GAO) is expediting our implementation by adding a new procedure in the grants policy manual to include a periodic review process. The GAO will also revise the Suspension and Debarment Process flow chart to ensure that compliance requirements are met for the duration of the contract. Once the new procedure is vetted with management, it will be circulated to all division managers at the Grants Oversight Committee meeting to ensure that our process is consistent.

Responsible Person: Christine Furusawa, Grants Manager  
Anticipated completion date: June 30, 2014



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

**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2013**

**Finding No. 2013-3 Noncompliance with Reporting**

Federal Program Information

<i>Federal Catalog Number:</i>	66.039
<i>Federal Program Name:</i>	National Clean Diesel Emissions Reduction Program - DERA Flex Grid
<i>Federal Agency:</i>	U.S. Environmental Protection Agency
<i>Pass-Through Entity:</i>	N/A
<i>Federal Award Number and Award Year:</i>	DE-00T36801-0 (2010)

Criteria or Requirement

Title 40 – Protection of Environment, Part 31 – Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments, Subpart C – Post-Award Requirements, Section 31.20 – Standards for Financial Management Systems.

(b) The financial management systems of the other grantees and subgrantees must meet the following standards: (1) *Financial reporting*. Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.

Title 40 – Protection of Environment, Part 31 – Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments, Subpart C – Post-Award Requirements, Section 31.40 – Monitoring and reporting program performance.

(b)(1) Grantees shall submit annual performance reports unless the awarding agency requires quarterly or semi-annual reports. However, performance reports will not be required more frequently than quarterly. Annual reports shall be due 90 days after the grant year, quarterly or semi-annual reports shall be due 30 days after the reporting period. The final performance report will be due 90 days after the expiration or termination of grant support. If a justified request is submitted by a grantee, the federal agency may extend the due date for any performance report. Additionally, requirements for unnecessary performance reports may be waived by the federal agency.

Title 40 – Protection of Environment, Part 31 – Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments, Subpart C – Post-Award Requirements, Section 31.41 – Financial reporting.

(b) *Financial Status Report – (4) Due date*. When reports are required on a quarterly or semi-annual basis, they will be due 30 days after the reporting period. When required on an annual basis, they will be due 90 days after the grant year. Final reports will be due 90 days after the expiration or termination of grant support.

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

**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2013**

**Finding No. 2013-3 Noncompliance with Reporting (Continued)**

Condition

During our procedures performed over the reporting requirements of the program, we were not provided with the 2012 Federal Financial Report (SF425), that is required to be submitted annually and the Progress Reports that are required to be submitted quarterly to U.S. Environmental Protection Agency during the fiscal year 2012-2013.

Questioned Costs

None noted.

Cause and Effect

The Port was unable to provide copies of the required reports and supporting documentation. As a result, we were unable to determine whether the Port is in compliance with the reporting requirement. Noncompliance could result in retraction of federal funds by the awarding agency.

Recommendation

We recommend that the Port enhance its procedures over record retention and maintain a copy of the required reports, supporting documentation, and evidence of submission for the program.

Management Response and Planned Corrective Action

The Port understands the importance of submitting required reports and maintaining supporting documentation. The Port will be maintaining the records of required reports and supporting documentation to demonstrate the Port's compliance with the reporting requirement.

The Port's Grants Administration Office (GAO) will be implementing a grants policy manual to include a compliance section. The GAO will also work closely with the respective divisions to ensure that the reporting compliance is met through the duration of the grant. Once the new procedure is vetted with management, it will be circulated to all division managers at the Grants Oversight Committee meeting to ensure that our process is consistent.

Responsible Person: Christine Furusawa, Grants Manager  
Anticipated completion date: June 30, 2014

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

**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2013**

**Finding No. 2013-4 Noncompliance with Subrecipient Monitoring**

Federal Program Information

<i>Federal Catalog Number:</i>	66.039
<i>Federal Program Name:</i>	National Clean Diesel Emissions Reduction Program - Ecocrane Project
<i>Federal Agency:</i>	U.S. Environmental Protection Agency
<i>Pass-Through Entity:</i>	N/A
<i>Federal Award Number and Award Year:</i>	DE-83467301-0 (2010)

Criteria or Requirement

Title 40 – Protection of Environment, Part 31 – Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments, Subpart C – Post-Award Requirements, Section 31.40 – Monitoring and Reporting Program Performance.

- (a) *Monitoring by grantees.* Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity.

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 \$300,000 (\$500,000 for fiscal years ending after December 31, 2003) or more in federal awards during the subrecipient's fiscal year have met the audit requirements of this part for that fiscal year.

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

**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2013**

**Finding No. 2013-4 Noncompliance with Subrecipient Monitoring (Continued)**

- (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.

**Condition**

During our procedures performed over the subrecipient monitoring requirements of the program, we noted that documentations for demonstrating the compliance with subrecipient monitoring are not available for examination. According to the Port's personnel, the subrecipient is required to submit Quarterly Reports in the same format required by the U.S. Environmental Protection Agency, but the Port was unable to provide us with the copies of the Quarterly Reports received and evidence of review of those reports.

**Questioned Costs**

None noted.

**Cause and Effect**

The Port was unable to provide documentation demonstrating that subrecipients are monitored on a periodic basis through site visits and desk review. As a result, the Port is not 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 enhance its subrecipient monitoring process and conduct periodic review 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. Also, we recommend that the Port enhance its controls over record retention and maintain a copy of the required reports, supporting documentation, and evidence of review.

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

**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2013**

**Finding No. 2013-4 Noncompliance with Subrecipient Monitoring (Continued)**

**Management Response and Planned Corrective Action**

The Port will be implementing a program wide process, to monitor subrecipient grant awards on a periodic basis through site visits and desk reviews to ensure that the reporting requirements are met.

The Port's Grants Administration Office (GAO) will be implementing a grants policy manual to include a Subrecipients section. The GAO will also work closely with the respective divisions to ensure that the reporting compliance is met through the duration of the grant. Once the new procedure is vetted with management, it will be circulated to all division managers at the Grants Oversight Committee meeting to ensure that our process is consistent.

Responsible Person: Christine Furusawa, Grants Manager  
Anticipated completion date: June 30, 2014

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

**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2013**

**Finding No. 2013-5 Noncompliance with Equipment Management**

Federal Program Information

<i>Federal Catalog Number:</i>	97.056
<i>Federal Program Name:</i>	Port Security Grant Program (PSGP)
<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)

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 data 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 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.

Condition

During our procedures performed over the equipment management requirements of the program, we were provided with a list of equipment acquired using federal grants (List) extracted from the fixed asset ledger. We noted that the List does not include the required information such as acquisition dates, serial numbers, funding source of the property, etc. Also, the most recent physical inventory of the property was not provided to us for examination.

Questioned Costs

None noted.

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

**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2013**

**Finding No. 2013-5 Noncompliance with Equipment Management (Continued)**

Cause and Effect

According to the Port's personnel, the aforementioned condition is due to software constraints in producing a comprehensive and accurate inventory list. Management is currently working with an IT consultant to mitigate the aforementioned condition.

Also according to the Port's personnel, an equipment physical inventory was performed during fiscal year 2013. However, supporting documentation of the inventory count and reconciliation with the equipment inventory record cannot be located.

As a result, the Port is not in compliance with the equipment management requirement. Noncompliance could result in retraction of federal funds by the awarding agency.

Recommendation

We recommend that the Port's management expedites the resolution of the software constraints and maintain a comprehensive inventory list of equipment acquired using federal grants which 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 data including the date of disposal and sale price of the property. We also recommend that the Port enhance its procedures over record retention and maintain a copy of the inventory count and reconciliation with the equipment inventory record.

Management Response and Planned Correction Plan

The Port transitioned to a new automated fixed assets ledger system which accounts for the inventory of capital assets including grant-funded assets. In the data conversion process and the automated capitalization of expenditures involving acquisition of assets, certain data are not flowing to the fixed assets modules appropriately. The Port engaged the services of an expert consultant who is currently working to resolve this problem. It is expected that this problem will be resolved within the current fiscal year.

The Port's automated fixed assets ledger system also serves as the inventory record of all capital assets, and provides information about each asset such as acquisition date, location, funding source, etc. Other monitoring process is used to keep track of asset conditions including those disposed, sold or salvaged. Sale of any asset requires Board Resolution and is made in compliance with grant requirements. Also, data in this system are reconciled with the general ledger monthly. The Port will continue to reconcile data in this new system with the inventory record of various Port divisions handling grant-funded asset acquisitions as well.

Responsible Person: Abe Rashid, Principal Accountant  
Anticipated completion date: June 30, 2014

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

**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2013**

**Finding No. 2013-6 Noncompliance with Subrecipient Monitoring**

Federal Program Information

<i>Federal Catalog Number:</i>	97.056
<i>Federal Program Name:</i>	Port Security Grant Program
<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)

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 13.40 – Monitoring and Reporting Program Performance.

- (a) *Monitoring by grantees.* Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity.

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 \$300,000 (\$500,000 for fiscal years ending after December 31, 2003) or more in federal awards during the subrecipient's fiscal year have met the audit requirements of this part for that fiscal year.



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

**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2013**

**Finding No. 2013-6 Noncompliance with Subrecipient Monitoring (Continued)**

- (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.

Condition

During our procedures performed over the subrecipient monitoring of the program, we noted that there was no evidence of monitoring for one out of the four subrecipients selected for testing. Funds passed through to this subrecipient amounted to \$4,547,961.

Questioned Costs

None noted.

Cause and Effect

Management performed site visits and desk reviews for all except one subrecipient of the round 8 grant agreement. Management was unable to schedule a site visit for the one subrecipient due to no response from the subrecipient. As a result, the Port is not 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 notify the non-responsive subrecipient in writing of the subrecipient's responsibility to comply with the federal requirements and consequence of noncompliance.

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

**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2013**

**Finding No. 2013-6 Noncompliance with Subrecipient Monitoring (Continued)**

**Management Response and Planned Corrective Action**

The Port will notify the non-responsive subrecipient in writing of the subrecipient's responsibility to comply with federal requirements; and schedule the monitoring visit and desk review.

The Port's Grants Administration Office (GAO) will be implementing a grants policy manual to include a Subrecipients section. The GAO will also work closely with the respective divisions to ensure that the reporting compliance is met through the duration of the grant. Once the new procedure is vetted with management, it will be circulated to all division managers at the Grants Oversight Committee meeting to ensure that our process is consistent.

Responsible Person: Christine Furusawa, Grants Manager  
Anticipated completion date: June 30, 2014

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

**Status of Prior Year's Findings**  
**For the Year Ended June 30, 2013**

**Finding No. 2012-1 Noncompliance with Suspension and Debarment**

Federal Program Information

<i>Federal Catalog Number:</i>	97.056, 97.116
<i>Federal Program Name:</i>	Port Security Grants ARRA – Port Security Grant
<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>	2006-GB-T6-0010 (2006); 2007-GB-T7-K096 (2007); 2007-GB-T7-K429 (2007); 2008-GB-T8-K014 (2008); and 2009-PU-R1-0176 (2009)

Condition Found and Context

*Port Security grants (97.056)*

In our sample of 11 vendors that had expenditures incurred during the fiscal year ended June 30, 2012, we noted that 4 contract files did not have certification of nonsuspension and debarment or EPLS verification within its documentation. However, subsequent verification did not reveal that these vendors were suspended or debarred.

Total expenditures samples associated with contracts for which nonsuspension and debarment was not verified prior to disbursement of federal funds amounted to \$5,203,104 of the \$15,385,036 of total federal program expenditures for the Port Security program.

*ARRA – Port Security grants (97.116)*

In our sample of 4 vendors that had expenditures incurred during the fiscal year ended June 30, 2012, we noted that all 4 contract files did not have certification of nonsuspension and debarment or EPLS verification within its documentation. However, subsequent verification did not reveal that these vendors were suspended or debarred.

Total expenditures samples associated with contracts for which nonsuspension and debarment was not verified prior to disbursement of federal funds amounted to \$5,566,572 of the \$5,566,572 of total federal program expenditures for the ARRA – Port Security program.

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

**Status of Prior Year's Findings**  
**For the Year Ended June 30, 2013**

**Finding No. 2012-1 Noncompliance with Suspension and Debarment (Continued)**

Recommendation

We recommend that the Port implement policies and procedures that include periodic reviews of its vendor files to ensure the applicable compliance requirements were met and it is not contracting with suspended or debarred vendors in its federally funded contracts.

Management Response and Planned Corrective Action

The implementation of prior year findings were effective July 1, 2012, and due to the timing from the fiscal year 2010-2011 finding date of March 2012, and the corrective action plan implementation date of July 2012, this audit period does not capture the efforts made by the Port of Los Angeles to curtail these findings. Therefore, the audit reports indicated partially implemented due to timing of report and audit period herein.

The Port understands the importance of adequate procedures and internal controls to ensure that federal funds are not released to vendors that are suspended or debarred. In February 2012, the Port presented a Suspension and Debarment Process flow chart to the Grants Oversight Committee. This process was implemented for all new vendors and contractors. The Port will revise its procedures to include controls over the existing vendors by conducting an annual review to ensure that all compliance requirements are met for the duration of the contract.

Current Year Status

The recommendation has been implemented.

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

**Status of Prior Year's Findings**  
**For the Year Ended June 30, 2013**

**Finding No. 2012-2 Noncompliance with Reporting**

**Federal Program Information**

<i>Federal Catalog Number:</i>	97.056, 97.116
<i>Federal Program Name:</i>	Port Security Grants ARRA – Port Security Grant
<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>	2006-GB-T6-0010 (2006); 2007-GB-T7-K096 (2007); 2007-GB-T7-K429 (2007); 2008-GB-T8-K014 (2008); and 2009-PU-R1-0176 (2009)

**Condition Found and Context**

*Port Security grants (97.056)*

- For Round 7, Management reported \$2,282,642 of cumulative federal funds expended on the progress report for the quarter ended September 30, 2011. However, the supporting documentation totaled \$2,619,965, resulting in an understatement of \$337,323 for the quarter ended September 30, 2011.
- For Round 7, Management reported \$3,896,637 of cumulative federal funds expended on the progress report for the quarter ended December 31, 2011. However, the supporting documentation totaled \$3,266,854, resulting in an overstatement of \$628,783 for the quarter ended December 31, 2011.
- For Round 7, Management reported \$4,129,506 of cumulative federal funds expended on the progress report for the quarter ended March 31, 2012. However, the supporting documentation totaled \$3,266,854, resulting in an overstatement of \$862,652 for the quarter ended March 31, 2012.
- For Round 7, Management reported \$4,515,651 of cumulative federal funds expended on the progress report for the quarter ended June 30, 2012. However, the supporting documentation totaled \$5,479,066, resulting in an understatement of \$963,415 for the quarter ended June 30, 2012.
- For Round 8, Management reported \$8,814,308 of cumulative federal funds expended on the progress report for the quarter ended June 30, 2012. However, the supporting documentation totaled \$6,175,499, resulting in an overstatement of \$2,638,809 for the quarter ended June 30, 2012.

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

**Status of Prior Year's Findings**  
**For the Year Ended June 30, 2013**

**Finding No. 2012-2 Noncompliance with Reporting (Continued)**

*ARRA – Port Security grants (97.116)*

- Management reported \$5,663,699 of the Port's federal share of expenditures in the 1512 report for the quarter ended March 31, 2012. However, the supporting documentation totaled \$4,253,292, resulting in an overstatement of \$1,410,407 of the Port federal share of grant expenditures.
- Management reported \$5,703,710 of the Port's federal share of expenditures in the 1512 report for the quarter ended June 30, 2012. However, the supporting documentation totaled \$5,663,699, resulting in an overstatement of \$40,011 of the Port federal share of grant expenditures.

**Recommendation**

We recommend that the Port enhance its controls over the review of the quarterly financial reports and progress reports prior to submission and establish a documented process to reconcile variances between the reports and source documentation.

**Management Response and Planned Corrective Action**

The implementation of prior year findings were effective July 1, 2012, and due to the timing from the fiscal year 2010-2011 finding date of March 2012, and the corrective action plan implementation date of July 2012, this audit period does not capture the efforts made by the Port of Los Angeles to curtail these findings.

After reviewing the variances that were shown in the findings, we concluded that it was due to timing issues. Most of the grants that were noted had expired on June 30, 2012. The final reports are due 90 days after the expiration date of the grant. The variances in the findings were based on a comparison between the Schedule of Expenditures of Federal Awards (SEFA) dated June 30, 2012 and the SF425 federal report that was filed on 9/27/12. The reimbursements were received in fiscal year 2013.

The Port will revisit its controls over the review of financial reports and enhance the current procedures to include a documented process that clearly defines the information reported on the SF425 reports and a listing of transactions that correlates with the information on our source documents.

**Current Year Status**

The recommendation has been implemented.

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

**Status of Prior Year's Findings**  
**For the Year Ended June 30, 2013**

**Finding No. 2012-3 Noncompliance with Reporting**

Federal Program Information

<i>Federal Catalog Number:</i>	20.205
<i>Federal Program Name:</i>	ARRA – Highway Planning and Construction – Harry Bridges Boulevard Improvement Project
<i>Federal Agency:</i>	U.S. Department of Transportation
<i>Pass-Through Entity:</i>	State of California, Department of Transportation
<i>Federal Award Number and Award Year:</i>	ESPL-5006-002 (2009)

Condition Found and Context

During our procedures performed over the reporting requirements of the program, we noted that there was no documented evidence of management review of the Report 1587 (CRIS Report), which is submitted to the California Department of Transportation on a monthly basis. Management reported \$165,311, \$185,891, and \$25,931 of federal funds expended on the CRIS Reports for the months of September 2011, January 2012, and May 2012, respectively. However, the supporting documentation totaled \$165,423, \$185,936, and \$26,931, respectively.

Recommendation

We recommend that the Port enhance its controls over the review of financial reports prior to submission and further improve the documented process to reconcile amounts included in the reports to source documentation.

Management Response and Planned Corrective Action

The implementation of prior year findings were effective July 1, 2012, and due to the timing from the fiscal year 2010-2011 finding date of March 2012, and the corrective action plan implementation date of July 2012, this audit period does not capture the efforts made by the Port of Los Angeles to curtail these findings. Therefore, the audit reports indicated partially implemented due to timing of report and audit period herein.

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

**Status of Prior Year's Findings**  
**For the Year Ended June 30, 2013**

**Finding No. 2012-3 Noncompliance with Reporting (Continued)**

The Port understands the importance of adequate controls to identify reporting inaccuracies and will revisit its controls over the review of the 1587 report to enhance the accuracy, form, and content. The Grants Administration Office will discuss potential opportunities to improve the adequacy of controls in the 1587 report preparation and verification/review process prior to its submission to the corresponding grantor agency. The Port continues its commitment to prepare and submit accurate reports; therefore, the respective division will be required to work with the Grants Administration Office closely to ensure reporting accuracy. If any adjustments are required, the final project report will be modified accordingly. Most important, any discrepancy identified will be reported to the Port's Grant Oversight Committee for proper handling.

**Current Year Status**

The recommendation has been implemented.



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

**Status of Prior Year's Findings**  
**For the Year Ended June 30, 2013**

**Finding No. 2012-4 Noncompliance with Subrecipient Monitoring**

Federal Program Information

<i>Federal Catalog Number:</i>	97.056
<i>Federal Program Name:</i>	Port Security Grant
<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)

Condition Found and Context

During our procedures performed over the subrecipient monitoring of the program, we noted that there was no evidence of management review of audited A-133 reports for 11 out of the 11 subrecipients selected for testing. Funds passed through to the 11 subrecipients amounted to \$6,927,013.

Recommendation

We recommend that the Port enhance its controls over the review of audited A-133 reports on an annual basis.

Management Response and Planned Corrective Action

The Port has created a financial reporting form to monitor Subrecipient grant awards. The Port Security Grant, Round 8, under Program 97.056 has several subrecipients. The Subrecipient Monitoring will be implemented in fiscal year 2013 to ensure that all compliance requirements are met before the end of the grant.

Current Year Status

The recommendation has been implemented. The Port performed site visits and desk reviews for all except one non-responsive subrecipient of the round 8 grant agreement. See details in Finding No. 2013-6 on pages 22 to 24.