



## **SS Lane Victory**

### **Audit Report**

**23-003**

Harbor Department Internal Audit Division September 11, 2025

## Why We Did This Audit

The SS Lane Victory is a World War II-era merchant marine vessel at the Port of Los Angeles. The Port provides free berth space to the ship, given its historical value. However, the revocable permit with the U.S. Merchant Marine Veterans of World War II (“Merchant Marine Veterans”), a nonprofit organization, which maintains the SS Lane Victory is outdated and needs to be revised. As the Port has concerns about the vessel’s physical condition, financial sustainability, and the accuracy of the ship’s location, a new revocable permit is needed. These concerns prompted the Internal Audit Division to initiate a compliance audit to assess whether the SS Lane Victory continues to meet its obligations, to evaluate the public value it provides, and to identify any operational or financial risks to the Port.

## Objectives

The objectives of this audit were to:

1. Evaluate Merchant Marine Veterans’ compliance with permit terms and conditions.
2. Assess Merchant Marine Veterans’ ability to continue operations.

## Background

The SS Lane Victory is a World War II-era merchant marine vessel permanently berthed at the Port of Los Angeles under a revocable permit. The U.S. Merchant Marine Veterans of World War II (“Merchant Marine Veterans”), a nonprofit organization, acquired the SS Lane Victory in 1988. The Port provides the free berth space valued at approximately \$37,700 per month, in recognition of the ship’s historic and cultural value. As an all-volunteer organization, Board members and volunteers maintain and operate the SS Lane Victory, which is recognized as a National Historic Landmark.

Under its current revocable permit, the SS Lane Victory is obligated to operate as a museum accessible to the public, conduct vessel training exercises, serve as a filming location, and perform at least two fundraising sailings annually within Los Angeles Harbor.

However, over time, the operational and financial realities of the SS Lane Victory have shifted. The vessel’s seaworthiness has deteriorated, its revenue sources are declining and unpredictable, it has experienced net losses over the last five years, and its contributions to public engagement and cultural programming have been limited. The passion, interest and dedication of Board members is apparent as auditors toured the ship; however, the Board has not brought in the needed revenue to provide for costly maintenance. Many non-profit organizations have fund-raising requirements of their Board and/or staff. We did not observe sufficient revenue-enhancing activities.

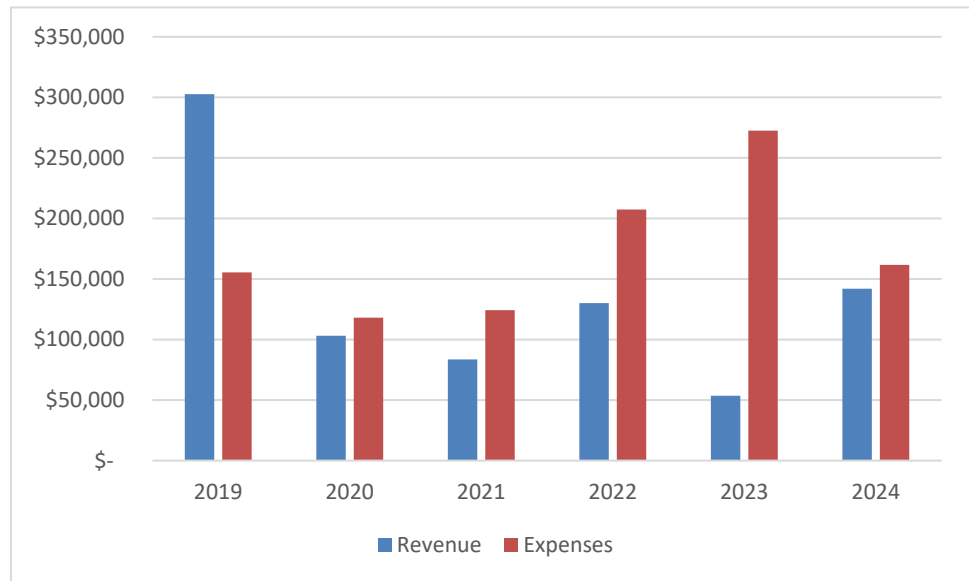
This audit aims to assess the SS Lane Victory’s compliance with its permit terms and to evaluate the current situation.

## What We Learned

### Finding 1 - SS Lane Victory's Financial Outlook Is Poor, Its physical condition is questionable, and Its Public Benefit Is Unsubstantiated

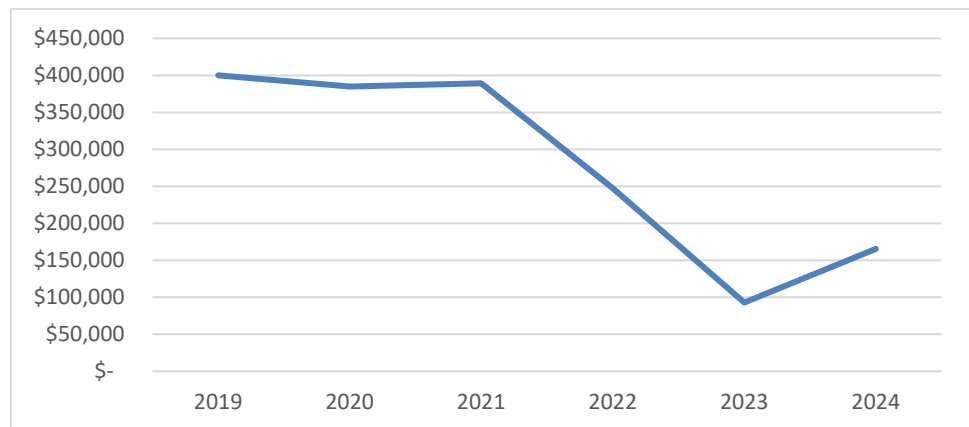
Financial analysis indicates that the SS Lane Victory's operational model has become increasingly unsustainable. Since 2020, Merchant Marine Veterans have reported net operating losses each year, with 2023 alone showing a revenue shortfall of approximately \$219,000—generating only \$53,500 in income against \$272,600 in expenses. The Merchant Marine Veterans report that broader economic trends have impacted their financial condition (e.g., pandemic closures, film industry strikes, etc.). However, they did not provide a plan to reverse these trends. The revenue and expenses over the audit period are illustrated in Exhibit 1.

Exhibit 1 – Merchant Marine Veterans' Annual Revenue and Expenses



Due to these annual net losses, the net assets of the Merchant Marine Veterans have decreased significantly. They have dropped from \$400,000 in 2019 to \$165,000 in 2024. (The value of the SS Lane Victory itself does not appear to be part of the calculation of net assets.)

Exhibit 2 – Merchant Marine Veterans' Net Assets



As a result of these financial constraints, the Merchant Marine Veterans have insufficient funds to drydock the vessel for necessary repairs. This further exacerbates its operational challenges, because the annual sailings were fundraisers for the organization, and it renders the organization incapable of fulfilling its permit obligations.

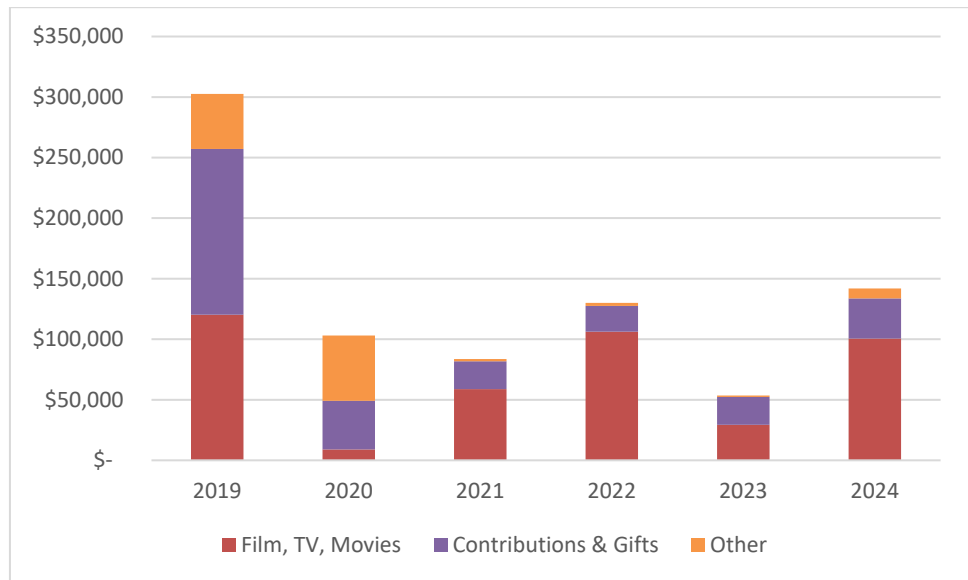
While the permit requires the SS Lane Victory to operate as a museum accessible to the public and serve as a venue for training exercises and filming, the audit found little evidence of effective pursuit of revenue generating activities. Public revenue is minimal, and the Merchant Marine Veterans could not<sup>1</sup> provide data about ticket sales or museum attendance. Training sessions are reportedly provided free of charge, but the Merchant Marine Veterans were also unable to provide documentation of dates, participating organizations, or attendance figures. Similarly, no information was provided regarding proactive efforts to secure film production rentals, and no formal marketing plan exists to promote these opportunities.

In 2022, entertainment industry rentals generated \$106,000, over 80 percent of the SS Lane Victory's revenue, but the following year, in 2023, it generated only \$29,400, only 55 percent of its revenue. The Merchant Marine Veterans' reliance on an unpredictable revenue source is illustrated in Exhibit 2. The apparent absence of strategic efforts to cultivate long-term relationships with the entertainment industry, coupled with an unclear marketing approach to expand community engagement and museum attendance, further weakens the vessel's financial outlook.

Exhibit 3 – Merchant Marine Veterans' Revenue Sources

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<sup>1</sup> When the auditor asked for information on a recent event, the Board stated how difficult and time-consuming it would be to produce it. This would indicate that the Board is also not monitoring results of revenue-producing events.



The Merchant Marine Veterans’ Board was unable to provide clear metrics or documentation to support its public benefit claims. For example, it could not provide the number of museum tickets sold. While the ship is available for chartered events, film shoots, and tactical trainings, the number of community events is low. Despite receiving a \$16,000 Community Investment Grant from the Port for its annual Spirit of ’45 fundraiser, the event had 235 attendees, far below its goal of 500 attendees.

Table 1 - Events held at the Lane Victory (2022-2024)

| Calendar Year      | 2022 | 2023 | 2024 |
|--------------------|------|------|------|
| Chartered Events   | 3    | 3    | 8    |
| Film Shoots        | 4    | 1    | 1    |
| Community Events   | 0    | 4    | 1    |
| Tactical Trainings | 2    | 3    | 2    |

Given these conditions, it appears unlikely that the Merchant Marine Veterans will generate sufficient revenue to meet its maintenance obligations, or to demonstrate the public benefit required noted in the Permit to occupy the Port’s valuable berth space. Without significant new revenue streams or a clear strategy to enhance public engagement, the SS Lane Victory’s financial and operational decline is likely to continue.

**Finding 2 -  
Outdated SS  
Lane Victory  
Permit Poses  
Operational,  
Financial, and  
Liability Risks to  
the Port**

**Recommendations:**

1. The Merchant Marine Veterans should submit a marketing plan to Waterfront and Commercial Real Estate Division (WCRED) with a clear strategy and resources to improve revenue. This could include:
  - a. Identifying additional streams, such as charging for vessel training sessions, and proactively marketing the museum experience to specific community and educational groups (e.g., Korean community groups or churches, merchant marine academy alumni associations, etc.).
  - b. Actively participating in Port events to increase community engagement.
  - c. Enhancing filming revenue aimed at establishing a network of entertainment industry professionals to foster consistent and long-term interest in renting the ship for filming purposes.
  - d. Identifying potential new Board or volunteers that could provide an infusion of capital through their own resources or fund-raising activities.

Among its varied purposes, the Revocable Permit states that the SS Lane victory shall be: “capable of performing at least two benefit fundraising sailings within Los Angeles Harbor per year, fundraising in support of the SS Lane Victory.”

However, the SS Lane Victory is no longer seaworthy and therefore cannot meet the permit requirement of conducting at least two benefit fundraising sailings within Los Angeles Harbor each year. The vessel has not undergone the drydocking necessary to restore it to sailing condition, so it has not performed these sailings in many years. Further, given its current financial challenges (discussed in Finding 1), such repairs are cost prohibitive.

Also, the vessel is no longer berthed at its designated location of Berth 94, as stipulated in the permit. The ship has been relocated twice, and both times were initiated by the Port without a corresponding amendment to the permit to reflect the change in location. This may have affected the Board’s ability to generate sufficient revenue due to its relocation to a less-trafficked area. Because its current location does not match the permit, there is a risk that future insurance claims for the SS Lane Victory may be rejected. The Merchant Marine Veteran’s commercial insurance package lists the SS Lane Victory’s location as Berth 46, but it is currently located at Berth 52. Further, because these relocations were not documented in an amendment to the permit, some

divisions within the Port may have been unaware of the additional risk created by this relocation.

These discrepancies between the current operational and physical status of the SS Lane Victory and the terms of the permit expose the Port to potential risks, particularly in terms of insurance and liability. The permit's insurance requirements have not been reassessed considering the vessel's current physical condition and its relocation. Both the Port and the Merchant Marine Veterans bear some responsibility for the outdated permit. While the SS Lane Victory failed to maintain its seaworthiness and operational readiness, the Port did not proactively amend the permit to account for the change in berth or reassess the vessel's capabilities.

In its present state, the SS Lane Victory is unable to fulfill a key provision of its permit while continuing to benefit from valuable Port resources, including a berth valued at nearly \$37,700 per month. This creates a precarious situation, where the Port assumes unclear liability and operational risks without receiving the intended public benefits outlined in the permit.

Further, in this audit, we found financial mismanagement. For example, the Board held \$310,456 in securities and an additional \$22,862 in short-term investments in 2024, while only holding \$919 in cash, even as the organization had a net loss of nearly \$19,675. That same year, despite holding such a significant amount in investments, their investment income was only \$39.

**Recommendations:**

- 2a. When WCRED renews the Lane Victory permit, then through the process, WCRED should work with the Risk Management Division to ensure the Lane Victory has sufficient insurance coverage given the SS Lane Victory's current physical condition.
- 2b. The Waterfront and Commercial Real Estate Division should also review whether the SS Lane Victory continues to provide a sufficient public benefit to justify the value of the free berth and other Port resources.
- 2c. Because the SS Lane Victory's two annual sailings are no longer feasible, the Waterfront and Commercial Real Estate Division should require the SS Lane Victory to develop a marketing plan with new and enhanced revenue streams as noted above and identify clear performance measures to be incorporated into the Revocable Permit, with regular (e.g., quarterly) reporting to the Port.

## **Audit Team**

The Internal Audit Division would like to thank the U.S. Merchant Marine Veterans of World War II and the Waterfront and Commercial Real Estate Division for all assistance provided throughout the course of this performance audit.

Leonard Hyman, Internal Auditor III, Auditor-in-Charge  
Barbara Steelman, Director of Internal Audit

## APPENDIX A - Chart of Recommendations

| FINDING   |    | RECOMMENDATION  |
|---|----|---|
| 1) SS Lane Victory's Financial Outlook Is Poor, Its physical condition is questionable, and Its Public Benefit Is Unsubstantiated | 1  | <p>The Merchant Marine Veterans should submit a marketing plan to Waterfront and Commercial Real Estate Division (WCRED) with a clear strategy and resources to improve revenue. This could include:</p> <ul style="list-style-type: none"> <li>a) Identifying additional streams, such as charging for vessel training sessions, and proactively marketing the museum experience to specific community and educational groups (e.g., Korean community groups or churches, merchant marine academy alumni associations, etc.).</li> <li>b) Actively participating in Port events to increase community engagement.</li> <li>c) Enhancing filming revenue aimed at establishing a network of entertainment industry professionals to foster consistent and long-term interest in renting the ship for filming purposes.</li> <li>d) Identifying potential new Board or volunteers that could provide an infusion of capital through their own resources or fund-raising activities.</li> </ul> |
| 2) Outdated SS Lane Victory Permit Poses Operational, Financial, and Liability Risks to the Port                                  | 2a | When WCRED renews the Lane Victory permit, then through the process, WCRED should work with the Risk Management Division to ensure the Lane Victory has sufficient insurance coverage given the SS Lane Victory's current physical condition.   |
|   | 2b | The Waterfront and Commercial Real Estate Division should also review whether the SS Lane Victory continues to provide a sufficient public benefit to justify the value of the free berth and other Port resources.   |
|   | 2c | Because the SS Lane Victory's two annual sailings are no longer feasible, the Waterfront and Commercial Real Estate Division should require the SS Lane Victory to develop a marketing plan with new and enhanced revenue streams as noted above and identify clear performance measures to be incorporated into the Revocable Permit, with regular (e.g., quarterly) reporting to the Port.  |

## APPENDIX B – Scope and Methodology

### Scope

The scope of this audit included Merchant Marine Veterans' finances and operations from 2019 through 2024.

### Methodology

This audit was conducted in accordance with the Global Internal Audit Standards, as promulgated by the Institute of Internal Auditors (IIA).

To complete this review, auditors conducted the following procedures:

- Reviewed WCRED permit agreement with Merchant Marine Veterans.
- Analyzed Merchant Marine Veterans' 990s and other accounting records.
- Conducted a site tour of the SS Lane Victory.
- Evaluated Merchant Marine Veterans' Insurance Policies compliance with permit.
- Interviewed Merchant Marine Veterans' board members and WCRED staff.
- Reviewed documentation related to events on the SS Lane Victory.
- Reviewed 2021 Lane Victory Strategic Plan

## APPENDIX C – Management Response

### Finding 1:

SS Lane Victory's Financial Outlook Is Poor, Its physical condition is questionable, and Its Public Benefit Is Unsubstantiated

### Recommendation:

1. The Merchant Marine Veterans should submit a marketing plan to WCRED with a clear strategy and resources to improve revenue. This could include:
  - a. Identifying additional streams, such as charging for vessel training sessions, and proactively marketing the museum experience to specific community and educational groups (e.g., Korean community groups or churches, merchant marine academy alumni associations, etc.).
  - b. Actively participating in Port events to increase community engagement.
  - c. Enhancing filming revenue aimed at establishing a network of entertainment industry professionals to foster consistent and long-term interest in renting the ship for filming purposes.
  - d. Identifying potential new Board or volunteers that could provide an infusion of capital through their own resources or fund-raising activities.

### Response from Merchant Marine Veterans:

1.
  - a. The USMMVWWII has identified additional income streams. Additionally, the organization will proactively market the museum experience to targeted audiences and educational groups. The USMMVWWII can provide the WCRED with semi-annual and/or annual reports if the Division wishes to see measurable results.
  - b. The USMMVWWII will continue to participate in Port events such as Fleet Week, the Annual Chamber of Commerce Spirit of the Holiday Parade, and the San Pedro Chamber of Commerce networking events; however, in recent years our ability to participate in Fleet Week as a vessel has been restricted, and access for visitors has been limited beyond 22nd Street or disrupted with semi-truck activity on the dock. For the Lane Victory to truly serve the public, we respectfully request equal opportunity to participate in Fleet Week and for traditions such as the Christmas Boat Parade to once again pass by our berth. These events are vital touchpoints for community engagement.
  - c. The USMMVWWII will continue to expand and strengthen its relationships with the film industry and local stakeholders who have presented themselves to assist in the endeavor to promote the Lane Victory as a film location and event venue.
  - d. Pursuant to consultations with other non-profits and mentors, a recommendation was made to the Board of Directors to expand the Directorship beyond its Membership. A motion will be made at the next Board of Directors meeting.

## Finding 2:

### Outdated SS Lane Victory Permit Poses Operational, Financial, and Liability Risks to the Port

#### Recommendations:

- 2a. When WCRED renews the Lane Victory permit, then through the process, WCRED should work with the Risk Management Division to ensure the Lane Victory has sufficient insurance coverage given the SS Lane Victory's current physical condition.
- 2b. The Waterfront and Commercial Real Estate Division should also review whether the SS Lane Victory continues to provide a sufficient public benefit to justify the value of the free berth and other Port resources.
- 2c. Because the SS Lane Victory's two annual sailings are no longer feasible, the Waterfront and Commercial Real Estate Division should require the SS Lane Victory to develop a marketing plan with new and enhanced revenue streams as noted above and identify clear performance measures to be incorporated into the Revocable Permit, with regular (e.g., quarterly) reporting to the Port.

#### Response from WCRED:

- 2a. WCRED will work with Risk Management to ensure the Lane Victory has sufficient insurance coverage that is reflective of its current physical condition and location.
- 2b. WCRED will continue to monitor Lane Victory's progress as well as the benefit it provides to the public.
- 2c. Additionally, WCRED will make sure that language is included in the permit that requires a Lane Victory marketing plan and tracks/measures that performance.

#### **In addition to the response to the recommendation provided above, the U.S. Merchant Marine Veterans of World War II provided the following comments:**

On behalf of the U.S. Merchant Marine Veterans of World War II (USMMVWWII), we first wish to express our deep appreciation for the continued support of the Port of Los Angeles in providing Berth 52 for the S.S. Lane Victory. This berthing arrangement is a generous contribution to the preservation of one of the last remaining Victory-class ships in the world, and we are sincerely grateful for it.

We acknowledge the findings presented in the audit summary and recognize that the Internal Audit Division's perception of our organization reflects concern about the Lane Victory's financial sustainability, operational condition, and public benefit. While we understand these concerns, we also believe that certain preconceived notions may not fully reflect the reality of our ship's viability and the dedication of our organization. It is our responsibility, and indeed our commitment, to demonstrate through action and results that the Lane Victory remains both seaworthy and historically significant.

The Lane Victory remains afloat, structurally sound, and operable under her own power. She does not take on water and, unlike many museum ships, she has retained her seaworthiness. Nevertheless, we fully recognize that drydocking remains our foremost priority, and we are actively working to secure funding and partnerships to achieve this critical milestone.

The audit suggests limited public benefit. We respectfully disagree. The Lane Victory is not only a National Historic Landmark, but also one of only two remaining Victory Ships built at the Port of Los Angeles during WWII. She stands as a living monument to the often-overlooked sacrifices of the U.S. Merchant Marine—unsung heroes who suffered the highest casualty rate of any branch during the war, yet received little recognition. The ship also honors Lane College, one of our nation’s oldest Historically Black Colleges and Universities, founded by Isaac Lane, a man born into slavery who rose to become a visionary leader in education. The vessel embodies both local and national heritage.

The USMMVWWII remains committed to honoring the unsung heroes of WWII, the US Merchant Marine, preserving the Lane Victory, and ensuring that she continues to serve as a vital educational and cultural asset. We welcome ongoing dialogue with the Port as we work together toward the ship’s long-term sustainability.

Respectfully submitted on behalf of the  
U.S. Merchant Marine Veterans of World War II