



**Clean Truck Fund Rate  
Performance Audit  
24-008**

Harbor Department Internal Audit Division

April 9, 2025

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## Why We Did This Report

In the early 2000s, there was an enormous community mobilization to address acute air quality impacts from port operations, believed to affect regional air quality. Because of the difficult air quality situation in Southern California and strong community pressure and political support, the Ports of Los Angeles and Long Beach took aggressive and early air quality actions compared to other U.S. ports through the adoption of the Clean Air Action Plan (CAAP).

The CAAP was originally adopted to reduce air pollution and emissions from port-related activities. As environmental and air quality concerns continue, the Ports released an update to the CAAP in 2017, focusing on zero-emissions technologies, including the deployment of clean trucks (i.e., zero-emission and low NOx trucks ).

The Clean Truck Fund (CTF) Rate is part of the multi-phase strategy outlined in the CAAP, which collects revenue from cargo owners that is set aside for projects to increase the adoption of zero-emissions technologies. These projects include vouchers for clean trucks and infrastructure, such as charging stations.

The CTF Rate generates substantial revenue for the Port, and the expenditures are intended to align with the Port’s zero-emissions goals.

Anytime the Port receives or spends millions of dollars, the Internal Audit Division ranks risk higher and wants to ensure all monies are received and accounted for

properly. Over the time period audited (April 2022 through October 2024), the Port received \$105 million in net revenue through the Clean Truck Fund Rate.

## Objectives

The objectives of this audit were to:

1. Determine whether PortCheck accurately recorded revenue and submitted revenue over the last three years.
2. Evaluate the accuracy and appropriateness of expenditures deducted by PortCheck.
3. Evaluate PortCheck's internal controls to ensure that the CTF Rate is paid by Beneficial Cargo Owners or their authorized agents.
4. Assess the Harbor Department's oversight and management of Clean Truck Fund Rate, including oversight and management of the PortCheck and CALSTART contracts.
5. Analyze whether CalStart had appropriate processes and sufficient internal controls to provide vouchers to stakeholders.

## Background

As part of the Port's strategy to improve air quality, the Board approved the Clean Truck Fund Rate in 2020. Starting in 2020, the Port charges cargo owners for each container that is hauled by a truck for both imports and exports. The rates are \$10 per twenty-foot equivalent unit (TEU) and \$20 for any containers longer than twenty feet, which is paid by the beneficial cargo owners (BCOs). Since Zero-emission and low NOx trucks lead to improved air quality, they are exempt from paying the rate. The funds generated by the CTF Rate are allocated to accelerate the deployment of clean trucks to reach the CAAP goal a zero-emission drayage truck fleet by 2035.

The CTF Rate is modeled after the Clean Truck Program (CTP), which was launched in 2008. At the time, the CTP focused on retrofitting and replacing existing drayage trucks with trucks that met the 2007 EPA emissions standards. Like the CTF Rate, the CTP charged vehicles that did not meet the standard and provided exemptions to trucks that did meet it.

To collect the CTF Rate, the Port of Los Angeles and the Port of Long Beach contracted with PortCheck owned by the West Coast Marine Terminal Operations Agreement (WCMTOA).

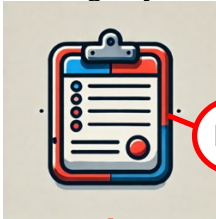
To charge the CTF Rate at a terminal, the cargo owner must pay the fee on the cargo container, whether it's an import or an export. When a truck approaches the terminal gate, all trucks operating on port property must be registered with the Port Drayage Truck Registry (PDTR). If the truck is not registered, it needs to troubleshoot and register. If it is registered, a sensor will ping the PortCheck system. The system then evaluates whether the truck is classified as a clean truck. If it is, the gate opens without requiring the CTF Rate payment. If it's not a clean truck, the system checks if the CTF Rate has been paid. If it has, the gate opens. If not, troubleshooting is required, and the cargo owner may need to be contacted to pay the fee. The following exhibit demonstrates this workflow at a terminal gate.

### Exhibit A: How the CTF Rate is Charged

Truck approaches terminal gate.



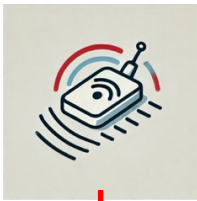
Is truck registered with Truck Registry?



No

Yes

Sensor pings PortCheck system.



Is truck a clean truck?



Yes

Gate opens. Truck exits.

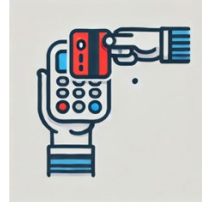


Truck moves into side lane to troubleshoot.



No

Has CTF Rate been paid?

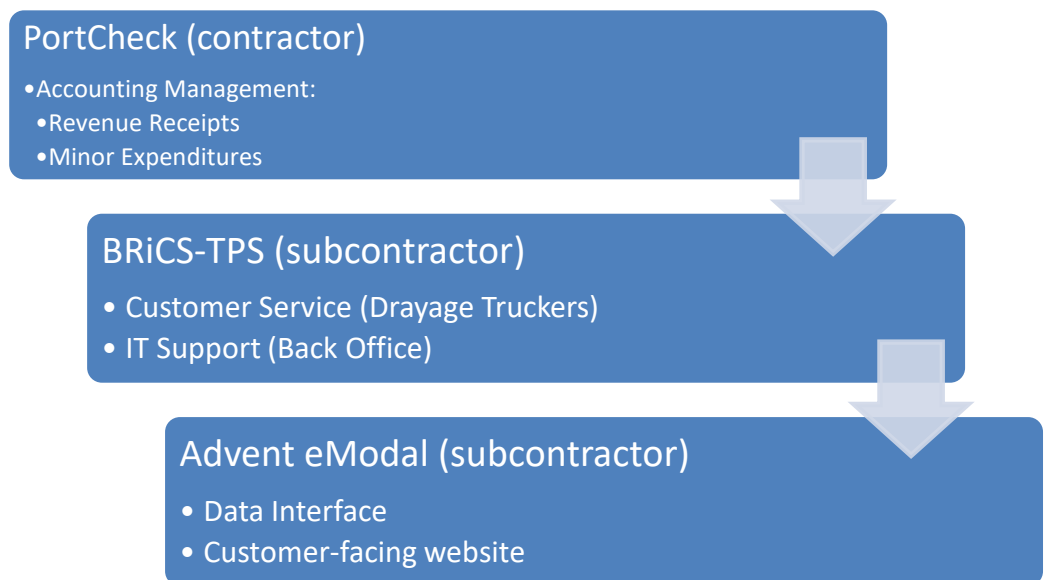


Yes

PortCheck manages the collection and remittance of the CTF Rate on behalf of the ports. On average, the CTF Rate generates gross revenue of \$3.4 million per month for the Port of Los Angeles. After PortCheck deducts its expenses, which averages \$110,000 per month, PortCheck remits the net revenue of \$3.3 million to the Port of Los Angeles. The Port of Long Beach separately receives their revenues in like manner.

PortCheck delegates some of its work to two subcontractors, BRiCS-TPS and Advent eModal. PortCheck is responsible for accounting management and financial transactions. PortCheck has a subcontract with BRiCS-TPS, which provides IT support and customer service to CTF Rate payers. BRiCS-TPS, in turn, has a subcontract with Advent eModal, which maintains the customer-facing website and manages the data interface between BRiCS-TPS and the terminal operators. The following visual illustrates the relationship among these three companies.

### **PortCheck and Subcontractors**



In March 2022, the Board approved a three-year CTF Rate Spending Plan, which covers three fiscal years from July 2022 through June 2025. Most funds are allocated for vouchers provided to Port trucking companies to offset the purchasing costs for zero-emission and low NOx trucks. As of March 2024, \$40 million has been allocated for these vouchers. Each voucher provides \$75,000 to offset the purchase of a clean truck, which costs upward of \$400,000. The organization CALSTART manages the voucher program for the Ports. CALSTART also manages a similar voucher program for the state of California that provides vouchers ranging from \$150,000 to \$312,000. As such, this makes it easy for truck purchasers to apply for both vouchers at the same time.

Briefly, to request a POLA voucher, truck dealers complete a voucher request form on behalf of a truck purchaser (i.e., an individual consumer or a trucking company). These voucher requests are submitted to CALSTART for review, then submitted to POLA for approval. If the voucher request is approved, CALSTART pays

## What We Learned

### Finding 1 – The Port lacks verifiable data and policies and procedures to monitor the PortCheck contract.

voucher funds directly to the truck dealer after the truck has been delivered to the purchaser.

Based on the audit work performed, the Environmental Management Division has been successful in their implementation of the CTF Rate program. They have demonstrated a willingness to engage with the public and stakeholders and have shown care and good judgment in overseeing contractors to ensure alignment with the Port's Clean Air Action Plan goals. Likewise, contractors such as CALSTART and PortCheck have played a key role in supporting these goals by facilitating clean truck adoption and managing program operations effectively.

The Government Accountability Office (GAO) Federal Internal Control Standards recommends separating "control activities related to authority, custody, and accounting of operations." In general, this means that operational functions, such as data collection and revenue collection, should be separated between two parties to ensure effective internal controls, i.e. checks and balances. PortCheck handles both functions for the CTF Rate.

To provide support for its revenue collections, PortCheck provides a transaction-level spreadsheet to Environmental Management, along with its monthly invoices. This spreadsheet includes data on each CTF Rate transaction (i.e., each time a truck paid the CTF Rate), including date, time, terminal, amount paid, and truck information. We compared PortCheck's transaction-level spreadsheets to the gross revenue reported on their invoices, and they matched in the 27 invoices reviewed, which is the total number of invoices submitted during the scope of this audit.

However, under this program, PortCheck handles both the custody of assets (meaning the money raised by the CTF Rate) and the recording of the revenue in the accounting records; and the contract with PortCheck delegates these conflicting responsibilities to PortCheck. Further, the Port does not have third-party data that enables it to verify the accuracy of PortCheck's transactions. As a result, the Port relies entirely on PortCheck to self-report their data, and this presents a risk that the revenue may be underreported and that not all funds are received.

Without reliable third-party data, the Environmental Management Division of the Harbor Department cannot confirm the accuracy of PortCheck's data (and accompanying revenue). Our audit work included observing trucks entering the terminals; this matched PortCheck's data providing some assurance of the accuracy and completeness of their reporting. However, the risk is significant, so Environmental Management should consider incorporating measures to ensure that all funds are received and reported completely and accurately.

The Environmental Management Division does not currently have documented policies and procedures related to its management of the CTF Rate. Documenting policies and procedures would be helpful to ensure continuity of its management. These policies and procedures should include potential control measures to corroborate PortCheck's data. Potential control measures could be direct

observations of terminals or comparison with other data sources to ensure PortCheck's data is reasonably accurate, and all funds are received.

**Recommendations:**

1. Environmental Management should document policies and procedures related to management of the CTF Rate. As part of these policies and procedures, Environmental Management should regularly corroborate the reliability of PortCheck's data with other sources (e.g., direct observation, alternative data sets).

**Finding 2 – PortCheck's expenses may technically meet contract requirements, however it charges excessive management fees.**

Federal government procurement guidelines prohibit passthrough charges when there is negligible value added. Specifically, the Federal Acquisition Regulations state, "The Government will not pay excessive pass-through charges." It defines an "excessive pass-through charge" as a charge "with respect to a contractor or subcontractors that adds no or negligible value to a contract or subcontract." While there is no similar restriction on the Port's contracts, the Federal guidelines provide a precedent that the Port should consider adopting.

As described in the Background section, PortCheck delegates some of its work to two subcontractors. PortCheck is responsible for accounting management and financial transactions. PortCheck has a subcontract with BRiCS-TPS, which provides IT support and customer service to CTF Rate payers. BRiCS-TPS, in turn, has a subcontract with Advent eModal, which maintains the customer-facing website and manages the data interface between BRiCS-TPS and the terminal operators.

This grandparent-parent-child relationship among these contractors means that Advent eModal submits its monthly invoices to BRiCS-TPS. Then, BRiCS-TPS submits its invoice, along with Advent eModal's invoice, to PortCheck. Then, PortCheck submits its invoice, along with BRiCS-TPS and Advent eModal's invoice, to the applicable port.

When BRiCS-TPS submits Advent eModal's invoice to PortCheck, BRiCS-TPS adds a 10% management fee. Using the federal guideline, this is allowable since BRiCS-TPS manages the contract with Advent eModal (Advent).

When PortCheck submits BRiCS-TPS' invoice to the Ports, it also adds a 10% management fee on the gross amount. While this management fee is appropriate for services provided directly by BRiCS-TPS, such as customer service, it also includes an additional management fee for Advent's services, which PortCheck does not manage, and management fees were already paid by BRiCS-TPS. Therefore, these are management fees on top of management fees with no additional service. These additional management fees are roughly 2% of PortCheck's total expenses.

PortCheck's contract with the Ports includes a sample budget that appears to allow for a 10% management fee on the gross expenses for contractors. As such, this management fee seems to agree with the contract that PortCheck has with the

Ports. However, PortCheck’s management fee on Advent eModal’s services does not provide value to the Ports, since BRiCS-TPS manages Advent eModal’s services, not PortCheck.

The following table provides an example of how these management fees work in practice. These expenses reflect PortCheck’s May 2024 invoice.

**Management Fees Example (May 2024)**

Advent Invoice	
Support Systems	\$42,014.40
<b>TOTAL</b>	<b>\$42,014.40</b>

BRiCS-TPS Invoice	
Advent Invoice	\$42,014.40
Management Fee (10%)	\$4,201.44
Hardware	\$347.06
Support Services	\$16,425.47
<b>TOTAL</b>	<b>\$62,998.37</b>

PortCheck Invoice	
BRiCS-TPS Invoice	\$62,998.37
Management Fee (10%)	\$6,299.84
Sales and Other Expenses	\$179,257.82
<b>TOTAL</b>	<b>\$248,545.03</b>

In the example above, the management fee of \$6,299.84 is calculated on the total invoice from BRiCS-TPS, which includes the \$4,201.44 management fee – which we consider an overcharge of \$420.14. While both BRiCS-TPS and PortCheck’s management fees could be considered compliant with the PortCheck contract, PortCheck’s management fee on top of BRiCS-TPS’s management fee does not provide value to the Port when BRiCS-TPS manages the contract with Advent eModal. BRiCS-TPS manages Advent eModal’s services, so PortCheck does not provide additional value to justify the fee.

The Port does not gain any value from these additional passthrough charges. Because the Port is not receiving additional value through these passthrough charges, the Port should work with the City Attorney to revise the contract and restrict passthrough charges that provide negligible value to the Port.

Based on the exhibit below, PortCheck charged \$155,421 without providing any value.

## Exhibit A: Excessive Management Fees by Month

Invoice Date	Excessive Management Fees
April 1, 2022	\$4,621
May 1, 2022	\$4,621
June 1, 2022	\$4,621
July 1, 2022	\$4,621
August 1, 2022	\$4,621
September 1, 2022	\$4,621
October 1, 2022	\$4,621
November 1, 2022	\$4,621
December 1, 2022	\$4,621
January 1, 2023	\$4,621
February 1, 2023	\$4,621
March 1, 2023	\$4,621
April 1, 2023	\$4,621
May 1, 2023	\$4,621
June 1, 2023	\$4,621
July 1, 2023	\$4,621
August 1, 2023	\$6,701
September 1, 2023	\$4,621
October 1, 2023	\$4,622
November 1, 2023	\$4,622
December 1, 2023	\$4,622
January 1, 2024	\$4,622
February 1, 2024	\$4,622
March 1, 2024	\$4,622
April 1, 2024	\$4,622
May 1, 2024	\$4,622
June 1, 2024	\$4,622
July 1, 2024	\$4,622
August 1, 2024	\$4,623
September 1, 2024	\$4,623
October 1, 2024	\$4,899
November 1, 2024	\$4,899
December 1, 2024	\$4,899
<b>Total</b>	<b>\$155,421</b>

### Recommendation:

- 2a. Environmental Management should request a refund of \$77,710 from PortCheck for the management fees charged on top of Advent eModal's invoices.

**Finding 3 –  
Based on our  
audit work, the  
design of  
PortCheck’s  
internal  
controls  
appear to be  
effective;  
however, they  
are not  
documented.**

- 2b. Environmental Management should work with the City Attorney to amend the contract to restrict passthrough charges that provide negligible value (e.g., management fees when the contractor provides minimal management).

As described in the Background section, cargo owners or their agents are subject to the CTF Rate. Port Tariff No. 4 specifies that “the CTF Rate is established to be paid by cargo owner or its authorized Agent and not Drayage Truck Operators (drivers).” PortCheck has designed control procedures to ensure that the appropriate parties pay the rate (i.e., internal controls).

These internal controls are important not only to ensure that the appropriate parties pay the CTF Rate, but also to ensure the security of their system. In 2023, RSM US LLP, an independent auditing firm, conducted a System and Organization Controls (SOC) Report on the system used to collect the CTF Rate, called PierPASS VTX Maintenance, Accounting and Customer Services System. This system is managed by PortCheck’s subcontractor BRiCS-TPS. The SOC Report acknowledges that its system of internal controls relies, in part, on PortCheck having its own effective internal controls. The SOC Report specifically points out that PortCheck “should establish policies and procedures for communicating access requests for new employees/systems users.”

To pay the CTF Rate, cargo owners (or their authorized agents) must register for an account with PortCheck.

The application process on the PortCheck website requests comprehensive information on their company. Once PortCheck receives the application, PortCheck states that it will verify that the companies are in good standing with their respective secretaries of state.

While this process is effective, these policies and procedures have not been documented. Without documented policies and procedures, there is a greater risk that PortCheck may not follow the same process for each application, and as a result, an unauthorized party could be approved for an account and pay the CTF Rate.

**Recommendations:**

3. Environmental Management should require strong internal controls, which could be demonstrated by formal policies and procedures. Environmental Management should request and review these written policies and procedures from PortCheck.

**Finding 4 – CALSTART has a user-friendly approach to providing vouchers but needs to adjust its process for leased trucks.**

The Port of Los Angeles has allocated \$40 million collected from CTF Rate revenue for clean truck vouchers. To make these vouchers publicly available, CALSTART provides these vouchers on behalf of both the Port of Los Angeles and the Port of Long Beach. This arrangement benefits both ports, because CALSTART already provides similar vouchers on behalf of the state of California, so the ports' vouchers are incorporated into the same process.

In most respects, the Port of Los Angeles' program is identical to the California voucher program. One way in which they differ, however, is that the Port requires truck purchasers to sign vouchers, while California allows either truck purchasers or lessees to sign the voucher requests. The Port's voucher request form clearly requires a signature from the truck purchaser. However, in some cases, CALSTART has accepted signed voucher requests from the truck lessees.

Having a lessee sign the voucher requests poses a risk to the Port: If the truck purchaser (i.e., lessor) were to repossess the truck, the Port has no legal relationship with the lessor, so it would be a challenge to reclaim either the truck or the voucher funds.

At the same time, the Port voucher requests obligate the truck purchaser to meet certain performance standards, such as registering the trucks with the Ports' Drayage Truck Registry (PDTR) within 60 days of delivery and completing at least 50 drayage trips per year for three years. Because these obligations fall primarily on lessees, rather than lessors, requiring the lessees' signature would ensure that they are aware of their obligations.

After this concern was raised with Environmental Management, they revised the Scope of Work and the Voucher Request Form to require signatures from both truck purchasers and lessees when appropriate. The second amendment to the agreement with CALSTART incorporated these revisions, and the Board of Commissioners approved the amendment. As of this audit, City Council has not yet approved the amendment.

**Recommendation:**

- 4a. The Environmental Management Division should modify the Scope of Work with CALSTART and the Voucher Request Form to require both truck purchasers and lessees to sign the form when a truck is leased.
- 4b. The Environmental Management Division should require CALSTART to verify that truck purchasers and lessees both sign the Voucher Request Form.
- 4c. The Environmental Management Division should review previous vouchers signed by lessees and require CALSTART to obtain any missing signatures from truck purchasers.

## **Audit Team**

The Division of Internal Audit would like to thank PortCheck and CALSTART, as well as the Environmental Management Division for all assistance provided throughout the course of this performance audit. Because the Port of Los Angeles and the Port of Long Beach have joint contracts with PortCheck and CALSTART, the Internal Audit division collaborated closely with the Long Beach City Auditor's Office, specifically, Alvin Chu, Assistant City Auditor and Briana Frias, Program Performance Auditor. We appreciate their insight and collaboration on this audit.

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

## APPENDIX A - Chart of Recommendations

FINDING		RECOMMENDATION
1) The Port lacks verifiable data and policies and procedures to monitor the PortCheck contract.	<b>1</b>	Environmental Management should document policies and procedures related to management of the CTF Rate. As part of these policies and procedures, Environmental Management should regularly corroborate the reliability of PortCheck’s data with other sources (e.g., direct observation, alternative data sets).
2) PortCheck’s expenses may technically meet contract requirements, however it charges excessive management fees.	<b>2a</b>	Environmental Management should request a refund of \$155,421 from PortCheck for the management fees charged on top of Advent eModal’s invoices.
	<b>2b</b>	Environmental Management should work with the City Attorney to amend the contract to restrict passthrough charges that provide negligible value (e.g., management fees when the contractor provides minimal management).
3) Based on our audit work, the design of PortCheck’s internal controls appear to be effective; however, they are not documented.	<b>3</b>	Environmental Management should require strong internal controls, which could be demonstrated by formal policies and procedures. Environmental Management should request and review these written policies and procedures from PortCheck.
4) CALSTART has a user-friendly approach to providing vouchers but needs to adjust its process for leased trucks.	<b>4a</b>	The Environmental Management Division should modify the Scope of Work with CALSTART and the Voucher Request Form to require both truck purchasers and lessees to sign the form when a truck is leased.
	<b>4b</b>	The Environmental Management Division should require CALSTART to verify that truck purchasers and lessees both sign the Voucher Request Form.
	<b>4c</b>	The Environmental Management Division should review previous vouchers signed by lessees and require CALSTART to obtain any missing signatures from truck purchasers.

## APPENDIX B – Scope and Methodology

### Scope

The scope of this audit included CTF Rate revenue and operations from the inception of the CTF Rate in April 2022 through October 2024.

### Methodology

To complete this review, auditors conducted the following procedures:

- Reviewed Environmental Management reports provided to the Board of Commissioners on the Clean Air Action Plan and the CTF Rate.
- Compared invoices to transaction-level detail for Clean Truck Fund Rate submitted by PortCheck to Environmental Management.
- Reviewed and evaluated PortCheck and CALSTART contracts and any contract amendments to understand requirements.
- Reviewed and evaluated subcontracts with BRiCS-TPS and Advent eModal.
- Read BRiCS-TPS's SOC2 Report and compared to PortCheck practices.
- Compared truck registrations through Port Drayage Truck Registry (PDTR) against transaction-level data provided by PortCheck.
- Reviewed selection of voucher requests and supporting documentation for clean trucks vouchers.
- Performed on-site gate observations outside of terminals to compare observations against data.
- Interviewed managers and line staff within Environmental Management to understand their oversight process.
- Interviewed leaders at CALSTART and PortCheck.

## APPENDIX C – Management Response

### Finding 1:

The Port lacks verifiable data and policies and procedures to monitor the PortCheck contract.

### Recommendation:

1. Environmental Management should document policies and procedures related to management of the CTF Rate. As part of these policies and procedures, Environmental Management should regularly corroborate the reliability of PortCheck's data with other sources (e.g., direct observation, alternative data sets).

### Response:

1. Environmental Management Division (EMD) agrees with this recommendation. EMD will document policies and procedures for managing CTF including the corroboration of PortCheck's data through direct observation of gate moves. EMD is currently not aware of alternative data sets; however, will research potential options. The result of our research will be documented in the policies and procedures.

### Finding 2:

PortCheck's expenses may technically meet contract requirements, however it charges excessive management fees.

### Recommendations:

2a. Environmental Management should request a refund of \$77,710 from PortCheck for the management fees charged on top of Advent eModal's invoices.

2b. Environmental Management should work with the City Attorney to amend the contract to restrict passthrough charges that provide negligible value (e.g., management fees when the contractor provides minimal management).

### Response:

2a. EMD agrees with this recommendation and will work with the Internal Audit Team to prepare a written request for a refund.

2b. EMD agrees with this recommendation and will work with the City Attorney to restrict passthrough management charges the next time the contract is amended.

### Finding 3:

Based on our audit work, the design of PortCheck's internal controls appear to be effective; however, they are not documented.

**Recommendation:**

3. Environmental Management should require strong internal controls, which could be demonstrated by formal policies and procedures. Environmental Management should request and review these written policies and procedures from PortCheck.

**Response:**

3. EMD will request and review written policies and procedures from PortCheck to ensure they align with our expectations.

**Finding 4:**

CALSTART has a user-friendly approach to providing vouchers but needs to adjust its process for leased trucks.

**Recommendation:**

4a. The Environmental Management Division should modify the Scope of Work with CALSTART and the Voucher Request Form to require both truck purchasers and lessees to sign the form when a truck is leased.

4b. The Environmental Management Division should require CALSTART to verify that truck purchasers and lessees both sign the Voucher Request Form.

4c. The Environmental Management Division should review previous vouchers signed by lessees and require CALSTART to obtain any missing signatures from truck purchasers.

**Response:**

4a. EMD agrees with this recommendation. The Voucher Request Form has recently been modified to have lessees sign when a truck is leased.

4b. EMD agrees with this recommendation. CALSTART will verify that the truck purchasers and lessees both sign the Voucher Request Form.

4c. EMD agrees with this recommendation. CALSTART will require truck purchasers to sign the Voucher Request Form if the lessee had signed originally.