



## AUDIT COMMITTEE

Report to the  
Board of Harbor Commissioners

### “FOR INFORMATION ONLY”

**DATE:** APRIL 9, 2020  
**TO:** AUDIT COMMITTEE OF THE BOARD OF HARBOR COMMISSIONERS  
**SUBJECT:** AUDITED FINANCIAL STATEMENTS AND ANNUAL SINGLE AUDIT

Submitted for your review are (1) audited financial statements of Los Angeles Harbor Improvement Corporation (LAHIC) for fiscal year 2018-19, (2a) the Harbor Department's Single Audit for fiscal year 2018-19, and (2b) Status of Corrective Action Plan for Prior Year Single Audit Findings.

Macias Gini & O'Connell, LLP (MGO), an independent public accounting firm, has performed these audits in accordance with *Government Auditing Standards* and auditing standards generally accepted in the United States.

At the Audit Committee meeting, the partner from MGO will present its required communications regarding the audit.

**Attachments:**

1. Audited Financial Statements for LAHIC for fiscal year 2018-19
- 2a. Single Audit Report for fiscal year 2018-19
- 2b. Status of Corrective Action Plan for Prior Year Single Audit Findings

MARLA BLEAVINS  
Deputy Executive Director and Chief Financial Officer

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

Single Audit Report

For the Fiscal Year Ended June 30, 2019



Certified  
Public  
Accountants

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Port of Los Angeles (Harbor Department of the City of Los Angeles) (the Port), an enterprise fund of the City of Los Angeles, California, as of and for the year ended June 30, 2019, and the related notes to the financial statements, and have issued our report thereon dated November 27, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Port’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Port’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Port’s internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Port’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Port's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Macias Gini & O'Connell LLP

Los Angeles, California  
November 27, 2019



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

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

**Report on Compliance for the Major Federal Program**

We have audited the Port of Los Angeles (Harbor Department of the City of Los Angeles, California) (the Port) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Port’s major federal program for the year ended June 30, 2019. The Port’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

***Management’s Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor’s Responsibility***

Our responsibility is to express an opinion on compliance for the Port’s major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Port’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Port’s compliance.

***Opinion on the Major Federal Program***

In our opinion, the Port complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

## **Report on Internal Control Over Compliance**

Management of the Port is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Port's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Port's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

## **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the Port as of and for the year ended June 30, 2019, and the related notes to the financial statement. We issued our report thereon dated November 27, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Macias Gini & O'Connell LLP*

Los Angeles, California  
February 26, 2020

**PORT OF LOS ANGELES**  
**(Harbor Department of the City of Los Angeles, California)**  
**Notes to the Schedule of Expenditures of Federal Awards**  
For the Fiscal Year Ended June 30, 2019

| <b>Federal Grantor/Pass-through Grantor/ Program or Cluster Title</b>  | <b>Catalog of<br/>Federal<br/>Domestic<br/>Assistance<br/>(CFDA)<br/>Number</b> | <b>Grant Number/Pass-<br/>Through<br/>Grantor's Number</b> | <b>Federal<br/>Expenditures</b> |
|--|---|--|---------------------------------|
| <b>U.S. Department of Justice:</b>                                     |   |  |                                 |
| Direct Program:  |   |  |                                 |
| Equitable Sharing Program  | 16.922  | Unknown  | \$ 43,514                       |
| CFDA No. 16.922 Subtotal   |   |  | <u>43,514</u>                   |
| <b>Total U.S. Department of Justice</b>                                |   |  | <u>43,514</u>                   |
| <b>U.S. Department of Labor:</b>                                       |   |  |                                 |
| Passed through State of California, Employment Development Department: |   |  |                                 |
| Workforce Innovation and Opportunities Act, Audit Program              |   |  |                                 |
| High Road Training Partnership Program                                 | 17.258  | K7105619   | 490,940                         |
| High Road Training Partnership Program                                 | 17.258  | K8109478   | 46,099                          |
| CFDA No. 17.258 Subtotal   |   |  | <u>537,039</u>                  |
| <b>Total U.S. Department of Labor</b>                                  |   |  | <u>537,039</u>                  |
| <b>U.S. Department of Transportation:</b>                              |   |  |                                 |
| Passed through State of California, Department of Transportation:      |   |  |                                 |
| Highway Planning and Construction                                      |   |  |                                 |
| Regional Surface Transportation Program (RSTP)                         |   |  |                                 |
| Port Truck Traffic Reduction Program - West Basin Railyard             | 20.205  | CML 5006(724)  | 616                             |
| Congestion Mitigation & Air Quality (CMAQ)                             | 20.205  | CML 5006(724)  | 594                             |
| I-110 Freeway and C Street Interchange Improvements                    | 20.205  | STPL-5006(761)   | 92,815                          |
| YTI Terminal Trip Reduction Program                                    | 20.205  | TCIFCML-5006(818)  | 1,982                           |
| CFDA No. 20.205 Subtotal   |   |  | <u>96,007</u>                   |
| <b>Total U.S. Department of Transportation</b>                         |   |  | <u>96,007</u>                   |
| <b>U.S. Department of Homeland Security:</b>                           |   |  |                                 |
| Direct Program:  |   |  |                                 |
| Port Security Grant Program:   |   |  |                                 |
| Security System Maintenance, Repair and Integration                    | 97.056*   | EMW-2016-PU-00474  | 409,486                         |
| Department Operation Center Integration Phase II                       | 97.056*   | EMW-2016-PU-00474  | 234,690                         |
| Information Security Management System Integration & Maintenance       | 97.056*   | EMW-2016-PU-00474  | 94,980                          |
| POLA Information Technology Cybersecurity Enhancement                  | 97.056*   | EMW-2017-PU-00358  | 102,620                         |
| CFDA No. 97.056 Subtotal   |   |  | <u>\$ 841,776</u>               |



**PORT OF LOS ANGELES**  
**(Harbor Department of the City of Los Angeles, California)**  
**Notes to the Schedule of Expenditures of Federal Awards**  
For the Fiscal Year Ended June 30, 2019

| <u>Federal Grantor/Pass-through Grantor/ Program or Cluster Title</u> | <u>Catalog of<br/>Federal<br/>Domestic<br/>Assistance<br/>(CFDA)<br/>Number</u> | <u>Grant Number/Pass-<br/>Through<br/>Grantor's Number</u> | <u>Federal<br/>Expenditures</u> |
|---|---|--|---------------------------------|
| <b>U.S. Department of Homeland Security (Continued):</b>              |   |  |                                 |
| Passed through City of Los Angeles, Mayor's Office:                   |   |  |                                 |
| Securing the Cities (STC) Program                                     | 97.106  | DHS-12-DNDO-106-001  | \$ 10,166                       |
| CFDA No. 97.106 Subtotal  |   |  | <u>10,166</u>                   |
| <b>Total U.S. Department of Homeland Security</b>                     |   |  | <u>851,942</u>                  |
| <br>  |   |  |                                 |
| <b>Total Expenditures of Federal Awards</b>                           |   |  | <u><u>\$ 1,528,502</u></u>      |

\*Denotes major program

See Accompanying Notes to Schedule of Expenditures of Federal Awards.

**PORT OF LOS ANGELES**  
**(Harbor Department of the City of Los Angeles, California)**  
**Notes to the Schedule of Expenditures of Federal Awards**  
For the Fiscal Year Ended June 30, 2019

**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, 2019. The information in the Schedule is presented in accordance with requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Port, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Port.

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the accompanying Schedule is reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where applicable.

**3. INDIRECT COST RATES**

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

**4. AMOUNTS PASSED THROUGH TO SUBRECIPIENTS**

During the year ended June 30, 2019, the Port did not pass any grant funds to subrecipients.

**PORT OF LOS ANGELES**  
**(Harbor Department of the City of Los Angeles, California)**  
**Schedule of Findings and Questioned Costs**  
For the Fiscal Year Ended June 30, 2019

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**Section I – Summary of Auditor’s Results**

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**FINANCIAL STATEMENTS**

Type of auditor’s report issued on whether the financial Statements were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:  
Material weakness(es) identified? No  
Significant deficiency(ies) identified? None reported

Noncompliance material to the financial statements noted? No

**FEDERAL AWARDS**

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

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) No

Identification of major program:

| <b>CFDA Number</b> | <b>Name of Federal Program or Cluster</b> |
|--------------------|---|
| 97.056             | Port Security Grant Program               |

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

Auditee qualified as a low-risk auditee? Yes

**PORT OF LOS ANGELES**  
**(Harbor Department of the City of Los Angeles, California)**  
**Schedule of Findings and Questioned Costs (Continued)**  
For the Fiscal Year Ended June 30, 2019

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**Section II – Financial Statement Findings**

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**A. Internal Control Matters**

None reported.

**B. Compliance Findings**

None reported.

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**Section III – Federal Award Findings and Questioned Costs**

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None reported.



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Board of Harbor Commissioners  
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Edward R. Renwick *Vice President*  
Diane L. Middleton *Commissioner*  
Lucia Moreno-Linares *Commissioner*  
Anthony Pirozzi, Jr. *Commissioner*  
*Executive Director*

February 21, 2020

**SUBJECT: STATUS OF CORRECTIVE ACTION PLAN FOR THE PORT OF LOS ANGELES (HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES, CALIFORNIA)**

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

Sincerely,

EUGENE D. SEROKA  
Executive Director

MB/FL/Accounting Division  
Author: F. Liu

Attachment

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

**Attachment No. 1 – Summary Schedule of Prior Audit Findings**

PORT OF LOS ANGELES  
(Harbor Department of the City of Los Angeles, California)  
For the Fiscal Year Ended June 30, 2019

| <b>Finding No.</b> | <b>Program</b>                    | <b>CFDA No.</b> | <b>Compliance Requirement</b> | <b>Status of Corrective Action</b> |
|--------------------|-----------------------------------|-----------------|-------------------------------|------------------------------------|
| 2018-001           | Highway Planning and Construction | 20.205          | Reporting                     | Implemented                        |
| 2018-002           | Highway Planning and Construction | 20.205          | Suspension and Debarment      | Implemented                        |