


CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

DATE: April 12, 2018

TO: Frank Liu, Director of Accounting
Harbor Department

FROM: Georgia Mattera, Chief Deputy Controller,
Office of the Controller 

SUBJECT: BANK ACCOUNTS NOT CONTROLLED BY THE OFFICE OF FINANCE

The Controller's Office conducted a compliance review of the Los Angeles Harbor Department's bank accounts not controlled by the Office of Finance. Our objective was to ensure expenditures are authorized, supported, and comply with the purposes for which these accounts were established.

Department management is responsible for designing, implementing, and maintaining a system of internal controls to provide reasonable assurance that bank and cash transactions are for authorized purposes. The Office of the Controller assists management by performing periodic assessments of the effectiveness of those systems. These assessments compliment, but do not in any way replace, management's assurance responsibilities.

Our review noted the Harbor Department has not yet implemented the prior audit recommendations regarding the amount of money kept in the Chief Accounting Employee's Revolving Fund (CAERF). According to Harbor management, the decision not to reduce the amount of money kept in the CAERF is based on requirements of the Department's annual Emergency Plan and its Continuity of Operations Plan. However, management has agreed to analyze the amount of currency (\$11,600) in the CAERF petty cash fund, and anticipates reducing the currency portion by June 30, 2018, upon approval.

We found no other reportable matters from our review.

Attachment



Los Angeles City Harbor Department Compliance Review

Bank Accounts Not Controlled by the Office of Finance

April 12, 2018

Background

Several Los Angeles City (City) departments have bank accounts not controlled by the Office of Finance/Treasurer, and detailed transactions in these accounts are not generally recorded in the City's Financial Management System (FMS). Periodic compliance reviews of these bank accounts are necessary to assess whether departments are using them in accordance with authorized purposes and whether there are adequate internal controls and oversight.

Compliance Review Results

Harbor Department's (Harbor) recordkeeping and controls over its one checking account not controlled by the Office of Finance are in proper order. Harbor reconciles book and bank balances regularly and divides custody, recordkeeping, and authorized signer duties among different staff. Moreover, the transactions reviewed were in accordance with the fund's authorized purpose. We also completed a surprise petty cash count and found all monies properly accounted for.

Three previous audits, one by the Controller's Office and two by Harbor's Internal Audit Division and a consultant, recommended Harbor reduce the amount of money maintained in the checking account and two petty cash funds, citing nominal use. This compliance review also found nominal use of the checking account. Harbor management has not yet implemented prior recommendations to reduce the amount, indicating the funds should be available in case of an emergency. Harbor assumes any risks related to not yet reducing the funding level.

While completing our compliance review, we noted that Harbor has 42 bond trust accounts maintained outside the City's Financial Management System. We reviewed the largest bond trust account, representing 98% (\$61.0 million) of the \$62.3 million dollar bond trust fund balance as of December 31, 2017 and confirmed that Harbor completes monthly reconciliations as required.

KEY FACTS

FACT #1: Harbor operates the Port of Los Angeles, one of the highest volume ports in the world and a vital national resource, that facilitates U.S. trade with countries around the Pacific Rim, and supports 1.6 million jobs throughout the U.S.

FACT #2: Harbor has twenty plus divisions, broken down into five segments: Stakeholder Engagement, Finance & Administration, Development, Public Safety & Emergency Management, and Marketing & Customer Relations.

FACT #3: Harbor has one revolving fund that includes a bank account not controlled by the Office of Finance/Treasurer, and two associated petty cash funds, with a combined balance of \$200,000. The authorized purposes for use of the fund are broad, including but not limited to, employee expenses, payments for court costs, bond premiums, sheriff fees, and emergency payments (when properly authorized).