

**PORT OF OAKLAND, CALIFORNIA**  
**(A Component Unit of the City of Oakland)**

Single Audit and  
Passenger Facility Charges Reports

Year Ended June 30, 2013



**Certified Public Accountants.**

**PORT OF OAKLAND, CALIFORNIA**  
**(A Component Unit of the City of Oakland)**  
**SINGLE AUDIT AND PASSENGER FACILITY CHARGES REPORTS**  
**YEAR ENDED JUNE 30, 2013**

*Table of Contents*

	<i>Page</i>
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	1
Independent Auditors' Report on Compliance for Each Major Federal Program and the Passenger Facility Charges Program; Report on Internal Control Over Compliance; and Report on the Amended and Restated Schedule of Expenditures of Federal Awards Required by OMB Circular A-133 and Schedule of Passenger Facility Cash Receipts, Cash Disbursements and Interest by Quarter Required by the <i>PFC Guide</i> .....	3
Amended and Restated Schedule of Expenditures of Federal Awards .....	6
Notes to Amended and Restated Schedule of Expenditures of Federal Awards .....	7
Schedule of Passenger Facility Cash Receipts, Cash Disbursements and Interest by Quarter .....	9
Notes to Schedule of Passenger Facility Cash Receipts, Cash Disbursements and Interest by Quarter .....	10
Revised Federal Awards Schedule of Findings and Questioned Costs.....	11
Passenger Facility Charges Schedule of Findings and Questioned Costs.....	15
Status of Prior Year Findings and Questioned Costs for Federal Awards and the Passenger Facility Charges Program .....	16



**Independent Auditors' 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***

Board of Port Commissioners  
of the City of Oakland, California

We have audited, in accordance with 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 Oakland (Port), a component unit of the City of Oakland, 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 7, 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 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, the communication is not suitable for any other purpose.

Macias Gini & O'Connell LLP Kevin W. Hayden, CPA

Oakland, California  
November 7, 2013



**Independent Auditors' Report on Compliance for Each Major Federal Program and the Passenger Facility Charges Program; Report on Internal Control over Compliance; and Report on the Amended and Restated Schedule of Expenditures of Federal Awards Required by OMB Circular A-133 and Schedule of Passenger Facility Cash Receipts, Cash Disbursements and Interest by Quarter Required by the PFC Guide**

Board of Port Commissioners  
of the City of Oakland, California

**Report on Compliance for Each Major Federal Program and the Passenger Facility Charges Program**

We have audited the Port of Oakland's (Port), a component unit of the City of Oakland, California, compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *Passenger Facility Charge Audit Guide for Public Agencies* issued by the Federal Aviation Administration (PFC Guide) that could have a direct and material effect on each of the Port's major federal programs and the passenger facility charges program, respectively, for the year ended June 30, 2013. The Port's major federal programs are identified in the summary of auditors' results section of the accompanying federal awards 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 each of its federal programs and the passenger facility charges program.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the Port's major federal programs and the passenger facility charges 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; OMB Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations* and the *PFC Guide*. Those standards, OMB Circular A-133, and the *PFC Guide* 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 or the passenger facility charges 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 each major federal program and the passenger facility charges program. However, our audit does not provide a legal determination of the Port's compliance.

***Opinion on Each Major Federal Program and the Passenger Facility Charges 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 each of its major federal programs and the passenger facility charges program for the year ended June 30, 2013.

This reissued report is replacing the original Single Audit Report for the fiscal year ended June 30, 2013 issued on March 7, 2014. As described in Note 5 to the Schedule of Expenditures of Federal Awards (Schedule), the Schedule was amended and restated to include federal expenditures that were omitted in the Schedule for the fiscal year ended June 30, 2013. Based on the amended and restated Schedule, we audited the Port's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the affected major program.

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying revised federal awards schedule of findings and questioned costs as item 2013-#2. Our opinion on each major federal program and the passenger facility charges program is not modified with respect to these matters.

The Port's response to the noncompliance finding identified in our audit is described in the accompanying revised federal awards schedule of findings and questioned costs. The Port's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **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 types of requirements that could have a direct and material effect on each major federal program or the passenger facility charges 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 the passenger facility charges program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the *PFC Guide*, 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 or the passenger facility charges 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 a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or the passenger facility charges 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 combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or the passenger facility charges 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 a material weakness. However, we identified certain deficiencies in internal control over compliance, as described in the revised federal awards schedule of findings and questioned costs as item 2013-#1 that we considered to be a significant deficiency.

The Port's response to the internal control over compliance finding identified in our audit is described in the accompanying revised federal awards schedule of findings and questioned costs. The Port's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 and the PFC Guide. Accordingly, this report is not suitable for any other purpose.

**Report on Amended and Restated Schedule of Expenditures of Federal Awards Required by OMB Circular A-133 and Schedule of Passenger Facility Cash Receipts, Cash Disbursements and Interest by Quarter Required by the PFC Guide**

We have audited the financial statements of the Port as of and for the year ended June 30, 2013, and have issued our report thereon dated November 7, 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 taken as a whole. The accompanying amended and restated Schedule and schedule of passenger facility cash receipts, cash disbursements and interest by quarter are presented for purposes of additional analysis as required by OMB Circular A-133 and the PFC Guide, respectively, and are not a required part of the financial statements. The original Schedule dated November 7, 2013, has been amended and restated as described in Note 5 to the Schedule. The amended and restated Schedule and the schedule of passenger facility cash receipts, cash disbursements and interest by quarter are 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 amended and restated Schedule and the schedule of passenger facility cash receipts, cash disbursements and interest by quarter are fairly stated in all material respects in relation to the financial statements taken as a whole.

Macias Gini & O'Connell LLP Kevin W. Rayner, CPA

Oakland, California

March 7, 2014, except for the Schedule of Passenger Facility Cash Receipts, Cash Disbursements and Interest by Quarter, for which the date is November 7, 2013 and our report on compliance and internal control related to CFDA No. 20.205 and on the amended and restated Schedule of Expenditures of Federal Awards for which the date is January 20, 2015

**PORT OF OAKLAND, CALIFORNIA**  
**AMENDED AND RESTATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**PERIOD ENDED JUNE 30, 2013**

<b>Federal Agency, Pass Through Agency and Program Description</b>	<b>Program CFDA Number</b>	<b>Expenditures</b>
U.S. Department of Transportation		
Direct Programs:		
Federal Aviation Administration - Airport Improvement Program (AIP)		
AIP-47	20.106	\$ 1
AIP-49	20.106	199,135
AIP-53	20.106	96,990
AIP-55	20.106	1
AIP-56	20.106	217,419
AIP-59	20.106	3,200,736
AIP-60	20.106	139,473
AIP-61	20.106	273,615
AIP-62	20.106	6,630,227
AIP-63	20.106	8,548,148
AIP-64	20.106	1,349,729
Subtotal Airport Improvement Program		<u>20,655,474</u>
Pass-Through California Department of Transportation:		
Highway Planning and Construction		
Project No. DEM05-6057(014)	20.205	79,935
Project No. CML-6057(013)	20.205	2,654,580
Subtotal Highway Planning and Construction		<u>2,734,515</u>
Total U.S. Department of Transportation		<u>23,389,989</u>
U.S. Department of Homeland Security		
Direct Program:		
Port Security Grant Program (ARRA)		
FY 2009 ARRA (2009-PU-R1-0189)	97.116	4,703,557
Pass-Through Marine Exchange of the San Francisco Bay Region:		
Port Security Grant Program		
FY 2007 (Round 7 Supplemental Program) (2007-GB-T7-K274)	97.056	75,383
FY 2008 (Round 8) (2008-GB-T8-K063)	97.056	222,145
Subtotal Port Security Grant Program		<u>297,528</u>
Total U.S. Department of Homeland Security		<u>5,001,085</u>
TOTAL EXPENDITURE OF FEDERAL AWARDS		<u><u>\$ 28,391,074</u></u>

The accompanying notes are an integral part of this schedule.



**PORT OF OAKLAND, CALIFORNIA**  
(A Component Unit of the City of Oakland)  
**NOTES TO AMENDED AND RESTATED SCHEDULE OF**  
**EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2013**

**(1) General**

The amended and restated schedule of expenditures of federal awards (Schedule) presents the activity of the federal award programs of the Port of Oakland, California (Port). The reporting entity is defined in Note 1 of the Port's basic financial statements. Because the Schedule presents only the federal award activity of the Port, it is not intended to and does not present the financial position, changes in financial position or the cash flows of the Port.

**(2) Basis of Accounting**

The Schedule is presented using the accrual basis of accounting as described in Note 2 to the Port's basic financial statements. Expenditures of federal awards are reported in the Port's basic financial statements as expenses for non-capital expenditures and as additions to capital assets for related capital expenditures. Payments to subrecipients are included in the Schedule when the disbursement is made by the Port to the subrecipient. The Port passed through \$13,314 of the Port Security Grant to the City of Oakland as a subrecipient during the year ended June 30, 2013; \$2,726,769 was passed through to the City of Oakland on October 22, 2013 and will be included in next year's single audit report.

**(3) Relationship to Federal Financial Reports**

Amounts reported in the Schedule agree to or can be reconciled with the amounts reported in the related federal financial reports.

**(4) Programs Not Subject to OMB Circular A-133 Reporting Requirements**

The Law Enforcement Officer Program of the Department of Homeland Security through the Transportation Security Administration (TSA) is not subject to OMB Circular A-133. Pursuant to Public Law 107-71, 115 Stat 597, specifically 49 U.S.C § 114 (m) (l) and 106 (l) (6), the nature and requirements associated with these agreements is characterized by TSA as an Other Transactional Agreement (OTA), rather than a procurement contract, grant or cooperative agreement. Expenditures incurred for the Law Enforcement Officer Program in the amount of \$94,652 are not included in the Schedule.

**PORT OF OAKLAND, CALIFORNIA**  
(A Component Unit of the City of Oakland)  
**NOTES TO AMENDED AND RESTATED SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2013**

**(5) Reissuance of the Single Audit Report**

The federal expenditures previously reported in the Schedule for the year ended June 30, 2013 have been amended and restated for the following reasons:

Federal expenditures for the year ended June 30, 2013, as previously reported	\$ 25,736,494
Changes made to the reported federal expenditures:	
Unreported expenditures related to CFDA No. 20.205	<u>2,654,580</u>
Federal expenditures for the year ended June 30, 2013, as amended and restated	<u><u>\$ 28,391,074</u></u>

The Port added federal expenditures related to CFDA No. 20.205 – Highway Planning and Construction for a federal program that was understated from the original schedule of expenditures of federal awards. The unreported federal expenditures for this program amounted to \$2,654,580.

**PORT OF OAKLAND, CALIFORNIA**  
(A Component Unit of the City of Oakland)  
**SCHEDULE OF PASSENGER FACILITY CASH RECEIPTS, CASH DISBURSEMENTS  
AND INTEREST BY QUARTER**  
**YEAR ENDED JUNE 30, 2013**

	<u>1st Quarter</u>	<u>2nd Quarter</u>	<u>3rd Quarter</u>	<u>4th Quarter</u>	<u>Total</u>
Cash receipts	\$ 5,486,680	\$ 5,066,727	\$ 4,472,401 *	\$ 5,005,751 *	\$ 20,031,559
Cash disbursements	(4,178,865)	(2,078,569)	(1,697,635)	(18,717,448)	(26,672,517)
Interest income	11,158	13,680	14,782	11,644	<u>51,264</u>
Excess of cash receipts and interest income over cash disbursements					(6,589,694)
Commercial paper payments					-
Unexpended cash balance at June 30, 2012					<u>14,673,819</u>
Unexpended cash balance at June 30, 2013					<u><u>\$ 8,084,125</u></u>

\* Includes aircraft rescue and firefighting truck sale proceeds of \$27,750 and \$500 for the 3rd and 4th quarter, respectively.

The accompanying notes are an integral part of this schedule.

**PORT OF OAKLAND, CALIFORNIA**  
(A Component Unit of the City of Oakland)  
**NOTES TO SCHEDULE OF PASSENGER FACILITY CASH RECEIPTS,  
CASH DISBURSEMENTS AND INTEREST BY QUARTER  
YEAR ENDED JUNE 30, 2013**

**(1) General**

The Port of Oakland, California (Port), as authorized by the Federal Aviation Administration (FAA) pursuant to the Aviation Safety and Capacity Expansion Act of 1990 (Act), as amended, imposes a Passenger Facility Charge (PFC) of \$4.50 per enplaning passenger at the Oakland International Airport. Under the Act, air carriers are responsible for the collection of PFC charges and are required to remit PFC revenues to the Port in the following month after they are recorded by the air carrier. The Port's most recent application was approved by the FAA on January 11, 2012. The current authority to impose PFCs is estimated to end May 1, 2023.

PFC revenues, including any interest earned thereon, are restricted solely to finance allowable costs of new airport planning and development projects as defined and authorized by the FAA. PFC revenues may be used to pay debt service and related expenditures associated with FAA approved projects, and the Port has received FAA approval to pay certain debt service if debt proceeds are used for qualifying projects.

**(2) Significant Accounting Policies**

**Basis of accounting**

The accompanying schedule of passenger facility cash receipts, cash disbursements and interest by quarter (Schedule) is presented using the cash basis. Receipts represent amounts received from air carriers' enplaning passenger ticket sales. Disbursements represent Port payments for projects that have been authorized by the FAA under the Act.

**Basis for quarterly reporting**

The Port prepares quarterly reports, which are submitted to the FAA and to the airlines, of PFC amounts received and expended on the cash basis. The Port reimburses PFC disbursements by transferring cash to the Port Revenue Fund from the Restricted PFC Fund.

**(3) Cash, Investments and Deposits**

The City of Oakland (City) Charter requires all revenues, including PFC revenue, to be deposited with the City Treasurer. These funds are pooled in a citywide pool and invested by the City Treasurer pursuant to the investment policy adopted by the City Council and guidelines specified in the California Government Code. The Port receives a monthly interest allocation from investment earnings of the City based on the average daily PFC balance on deposits and the earnings of the investments. PFC cash, investments and deposits held by the City totaled \$8,084,125 at June 30, 2013.

**PORT OF OAKLAND, CALIFORNIA**  
(A Component Unit of the City of Oakland)  
**REVISED FEDERAL AWARDS SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2013**

**Section I      Summary of Auditors' Results**

*Financial Statements*

Type of auditors' report issued on the basic financial statements of the Port:	Unmodified
Internal control over financial reporting:	
♦ Material weakness(es) identified?	No
♦ Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to the basic financial statements noted?	No

*Federal Awards*

Internal control over major programs:	
♦ Material weakness(es) identified?	No
♦ Significant deficiencies identified that are not considered to be material weaknesses?	Yes
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	Yes
Identification of major programs:	CFDA No. 20.106 – U.S. Department of Transportation – Direct Program – Airport Improvement Program
	CFDA No. 20.205 – U.S. Department of Transportation – Direct Program – Highway Planning and Construction (Federal-Aid Highway Program)
	CFDA No. 97.116 – U.S. Department of Homeland Security – Direct Program –Port Security Grant Program (ARRA)
Dollar threshold used to distinguish between type A and type B programs:	\$851,732
Auditee qualified as a low-risk auditee?	No

**PORT OF OAKLAND, CALIFORNIA**  
(A Component Unit of the City of Oakland)  
**REVISED FEDERAL AWARDS SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2013**

**Section II      Financial Statement Findings**

No matters were reported

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

**2013-#1.      Completeness of Schedule of Expenditures of Federal Awards (Significant Deficiency)**

***Criteria:***

The U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, requires the Port to prepare a schedule showing total expenditures for the fiscal year for each federal program. Further, OMB A-133 requires that the auditor identify and audit all high-risk type A federal programs. The Port's Type A federal programs are those with current year expenditures exceeding \$851,732.

***Condition Identified and Perspective:***

Port inadvertently excluded federal program expenditures of Highway Planning and Construction (CFDA 20.205), passed through California Department of Transportation, in the schedule of expenditures of federal awards (SEFA) in the amount of \$2,654,580 related to the Port's Shore Power program.

***Asserted Cause and/or Effect:***

The Port did not timely identify its grant for shore power improvements as a federal grant.

The Port's SEFA serves as the basis for determining the number of major programs required to be audited for a fiscal year. Inaccuracy in the SEFA may result in high-risk type A programs not being identified for testing and type B programs not being subjected to the required audit risk assessment.

***Questioned Cost***

N/A – based on the testing performed, the additional federal expenditures are allowable costs to the programs.

***Recommendation:***

The Port should improve its process for reviewing expenditures reported in the SEFA by developing procedures to ensure that all federal grants are identified.

**PORT OF OAKLAND, CALIFORNIA**  
(A Component Unit of the City of Oakland)  
**REVISED FEDERAL AWARDS SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2013**

***Views of Responsible Officials:***

Within the last year the Port experienced high turnover in staffing within the roles that account for and manage the Port's grants. As a result, Port management reorganized the grant management team so that it is now overseen by the Port Controller with duties performed by accountants who have knowledge and experience in grants management. This strategic change more closely aligns the skills sets needed to design and implement procedures that thoroughly document and properly report and track the Port's grants. As part of the staffing transition, Port staff created an inventory of all grants and is working closely with the various Port departments that manage grant funded projects to ensure information is communicated properly and timely. Additionally, Port staff has created a grants worksheet to track the status and funding of grants and will continue to improve upon this and other processes.

**PORT OF OAKLAND, CALIFORNIA**  
(A Component Unit of the City of Oakland)  
**REVISED FEDERAL AWARDS SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2013**

**2013-#2.      Airport Improvement Program – Activities Allowed or Unallowed**

***Program Identification:***

Awarding Agency:      United States Department of Transportation  
Program:                Airport Improvement Program  
CFDA:                    20.106  
Award Number:        Various  
Award Year:            Fiscal year ended 6/30/2013

***Criteria:***

Office of Management and Budget Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments* (2 CFR Part 225), Attachment A specifies the general criteria that must be met for costs to be allowable under federal awards.

***Condition Identified and Perspective:***

We randomly selected and tested 40 payroll transactions out of a population of approximately 250 payroll transactions. We found 8 transactions in which the hourly pay rate charged to the grant did not agree with the employees' pay rates per personnel records.

***Questioned Costs:***

The 8 transactions resulted in a net understatement of expenditures applied to the grant. Therefore there are no questioned costs.

***Asserted Cause and/or Effect:***

All 8 of the transactions noted above were selected from a time period prior to the Port correcting the same finding from the prior year audit. When the Port implemented the correcting process, it did not retroactively adjust time entries that were already posted in the project cost module of its Oracle system.

***Recommendation:***

We recommend that the Port ensure pay rates in its project cost module are up to date and in agreement with actual employee pay rates.

***Views of Responsible Officials:***

Starting December 28, 2012, the Port implemented a process by which the employee labor rates in the project cost module of the Oracle system are updated automatically on a nightly basis. This process ensures that the pay rates in the project cost module are in agreement with actual employee pay rates when time entries post in the Oracle system. The system does not allow for retroactive adjustments to entries already posted. Given that the incorrect pay rates result in an understatement of expenditures applied to the grant, the Port did not take action to manually adjust the system.



**PORT OF OAKLAND, CALIFORNIA**  
(A Component Unit of the City of Oakland)  
**PASSENGER FACILITY CHARGES SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2013**

**Section I      Summary of Auditors' Results**

*Financial Statements*

Type of auditors' report issued on the financial statements of the Port:	Unmodified
Internal control over financial reporting:	
♦ Material weakness(es) identified?	No
♦ Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to the basic financial statements noted?	No

*Passenger Facility Charges*

Internal control over the program:	
♦ Material weakness(es) identified?	No
♦ Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance for Passenger Facility Charges program	Unmodified

**Section II      Financial Statement Findings**

No matters were reported.

**Section III      Passenger Facility Charges Findings and Questioned Costs**

No matters were reported.

**PORT OF OAKLAND, CALIFORNIA**  
(A Component Unit of the City of Oakland)  
**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR**  
**FEDERAL AWARDS AND THE PASSENGER FACILITY CHARGES PROGRAM**  
**YEAR ENDED JUNE 30, 2013**

<b><u>Finding No.</u></b>	<b><u>Description</u></b>	<b><u>Status</u></b>
<b>Financial Statement Finding:</b>		
2012-#1.	Oracle Enterprise Resource Planning System Conversion (Material Weakness)	Corrected
<b>Federal Award Findings:</b>		
2012-#2.	CFDA 20.932 – ARRA Surface Transportation Discretionary Grants for Capital Improvement – TIGER Grants – Activities Allowed or Unallowed	There were no expenditures for this grant in fiscal year 2012-13; however, this is a repeat finding related to the Airport Improvement Program (CFDA #20.106). See finding 2013-#1.
2012-#3.	CFDA 97.056 - Port Security Grant Program – Reporting	Corrected