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PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE
CITY OF LOS ANGELES, CALIFORNIA)

Single Audit Reports

Year ended June 30, 2009

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PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE
CITY OF LOS ANGELES, CALIFORNIA)

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NEWPORT BEACH
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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*

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

We have audited the financial statements of the Port of Los Angeles (Harbor Department of the City of Los Angeles, California) (the Port), an Enterprise Fund of the City of Los Angeles, California, as of and for the year ended June 30, 2009, and have issued our report thereon dated January 29, 2010. Our report was modified to describe the Port's implementation of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations.* We conducted our audit 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Port's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Port's internal control over financial reporting.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Port's financial statements are free of 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*.

We noted certain other matters that we reported to management of the Port in a separate letter dated January 29, 2010.

This report is intended solely for the information and use of management of the Port of Los Angeles, the members of the Board of Harbor Commissioners, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Macias Gini & O'Connell LLP

Certified Public Accountants

Los Angeles, California
January 29, 2010

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Independent Auditor's Report on Compliance with Requirements Applicable to its Major Program, Internal Control Over Compliance and on the Schedule of Expenditures of Federal Awards in Accordance with OMB Circular A-133

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

Compliance

We have audited the compliance of the Port of Los Angeles (Harbor Department of the City of Los Angeles, California) (the Port), an Enterprise Fund of the City of Los Angeles, California, with the types of compliance requirements described in the U.S Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2009. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Port's management. Our responsibility is to express an opinion on the Port's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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. Our audit does not provide a legal determination of the Port's compliance with those requirements.

In our opinion, the Port complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2009.

Internal Control over Compliance

The management of the Port is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to its federal programs. In planning and performing our audit, we considered the Port's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the Port of Los Angeles as of and for the year ended June 30, 2009, and have issued our report thereon dated January 29, 2010. Our audit was performed for the purpose of forming an opinion on the Port's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management of the Port of Los Angeles, the members of the Board of Harbor Commissioners, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Macias Gini & O'Connell LLP

Certified Public Accountants

Los Angeles, California
February 23, 2010, except for the
Schedule of Expenditures of Federal Awards
as to which the date is January 29, 2010

PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE
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Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

Federal Grantor/Program Title	Federal CFDA Number	Grant Number	Federal Entitlement Amount	Federal Grant Expenditures
Federal - U.S. Department of Homeland Security				
Transportation Security Administration (TSA)				
Port Security Grant Round 3 Projects	97.056	HSTS-04-04-G-GPS307	$ 10,371,319	$ 620,261
Port Security Grant Round 5 Projects	97.056	2005-GB-T5-0116	11,243,932	3,081,945
Port Security Grant Round 6 Projects	97.056	2006-GB-T6-0100	4,646,477	336,541
Port Security Grant Round 7 Projects**	97.056	2007-GB-T7-K096	6,564,527	-
Federal Emergency Management Agency (FEMA*)				
Port Security Grant Round 7 Supplemental Projects	97.056	2007-GB-T7-K429	2,995,558	693,847
Port Security Grant Round 8 Supplemental Projects**	97.056	2007-GB-T8-K014	42,272,821	-
Federal - U.S. Environmental Protection Agency (U.S.EPA)				
Pacific Rim Air Quality Monitoring Program (PAH)**	66.034	XA-96963101-0	250,000	-
Federal (Indirect) - Pass Through from U.S. Department of Transportation to State of California Transportation (Cal-Trans) to Department of Public Works - Bureau of Street Services				
Harry Bridges Blvd. Improvement Project - ISTEA Bill 2000-2004**	20.205	LA960176-P21-TEA21978	27,972,000	-
Vincent Thomas Bridge Studies - SAFETEA-LU Bill 2005-2009**	20.205	LA0D391- HPP # 2885	1,600,000	-
I-110/SR 47/Harbor Blvd Interchange Improvement Phase 1 - SAFETEA-LU Bill 2005-2009**	20.205	LA0D390 - HPP # 297	4,000,000	-
Federal (Indirect) - Pass Through from U.S. Department of Homeland Security (DHS) to State of California Governor's Office of Homeland Security (OHS)				
2005 State Homeland Security Grant Program**	97.073	2005-15-037-95008	750,000	-
Total Federal Financial Assistance and Federal Expenditures			$ 112,666,634	$ 4,732,594

* Formerly Transportation Security Administration

** Indicates entitlement amounts. No expenditures incurred during the current year.

See accompanying notes to schedule of expenditure of federal awards.

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Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

(1) General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of federal award programs of the Port of Los Angeles (Port). The Port's reporting entity is defined in Note 1 of the notes to the Port's financial statements as of and for the year ended June 30, 2009. Federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included in the Schedule of Expenditures of Federal Awards.

(2) Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, whereby grant expenditures are recognized when incurred and all eligibility requirements have been met.

(3) Definition of Major Federal Award Program

The Single Audit Act Amendments of 1996 define major federal award programs based upon total federal expenditures of the grantee during the period reported and inherent risk of the programs audited. The U.S. Department of Homeland Security – Port Security Grant Program (CFDA No. 97.056) is considered to be a major federal program for the year ended June 30, 2009. (See summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs).

(4) Relation to Federal Financial Reports

The accompanying amounts identified in the Schedule of Expenditures of Federal Awards agree in all material respects to amounts reported in the respective federal financial reports.

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Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Section I - Summary of Auditor's Results

(a) Financial Statements

The type of auditor's report issued on the financial statements: **Unqualified Opinion.**

Internal control over financial reporting:

- Material weakness(es) identified: **None Noted.**
- Significant deficiency(ies) identified that are not considered to be material weaknesses: **None Noted.**

Noncompliance material to the financial statements noted: **None Noted.**

(b) Federal Awards

Internal control over major programs:

- Material weakness(es) identified: **None Noted.**
- Significant deficiency(ies) identified that are not considered to be material weaknesses: **None Noted.**

The type of auditor's report issued on compliance for major programs: **Unqualified Opinion.**

Any audit findings which are required to be reported in accordance with Section 510(a) of Circular A-133: **None Noted.**

Identification of major program:

CFDA number	Name of federal program
CFDA No. 97.056	U.S. Department of Homeland Security: Port Security Grant Program

Dollar threshold used to distinguish between Type A and Type B programs: **$300,000**

Auditee qualified as a low-risk auditee: **No**

Section II - Financial Statement Findings

None noted.

Section III – Federal Award Findings and Questioned Costs

None noted.

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Schedule of Prior Year Audit Findings

Year ended June 30, 2009

Finding No. 08-01:	Controls over Reporting and Late Submission of Report
Federal Agency:	U.S. Department of Homeland Security
Program Name:	Port Security Grant Program (PSGP) and Joint-Agency Container Inspection Facility (JCIF)
Condition:	The Port did not submit the 4th quarterly performance report for PSGP to the U.S. Department of Homeland Security on a timely basis. Also, there was no evidence that the 3rd quarter financial status report (Form SF 270) for JCIF was reviewed and approved prior to submittal.
CFDA # and Program Expenditures:	#97.056 $6,318,743
Award Year:	June 30, 2009
Questioned Costs:	Not applicable
Status:	Implemented