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SAN DIEGO UNIFIED PORT DISTRICT

SINGLE AUDIT REPORT ON FEDERAL AWARDS

Year ended June 30, 2009

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SAN DIEGO UNIFIED PORT DISTRICT

SINGLE AUDIT REPORT ON FEDERAL AWARDS

Year ended June 30, 2009

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REPORT ON COMPLIANCE AND OTHER MATTERS AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Port Commissioners
San Diego Unified Port District
San Diego, California

We have audited the financial statements of the San Diego Unified Port District, as of and for the year ended June 30, 2009. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the San Diego Unified Port District'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.*

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the San Diego Unified Port District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the San Diego Unified Port District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the San Diego Unified Port District's internal control over financial reporting.

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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 District'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 District's financial statements that is more than inconsequential will not be prevented or detected by the District'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 District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all the deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. In a separate letter dated October 30, 2009, we have communicated to management our recommendations regarding certain other matters for consideration by the District.

This report is intended solely for the information and use of the Board of Port Commissioners, The Department of Homeland Security, other federal agencies, and management of the San Diego Unified Port District and is not intended to be and should not be used by anyone other than these specified parties.

Mayer Hoffman McCann P.C.

Irvine, California
October 30, 2009

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM, INTERNAL CONTROL OVER COMPLIANCE AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Port Commissioners
San Diego Unified Port District
San Diego, California

Compliance

We have audited the compliance of the San Diego Unified Port District (the District) 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 District's major federal program is identified in the summary of auditors' 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 District's management. Our responsibility is to express an opinion on the District'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 District'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 on the District's compliance with those requirements.

In our opinion, the District has 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 District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District'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 purposes of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly we do not express an opinion on the effectiveness of the District's internal control over compliance.

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A control deficiency in the District'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 function, 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 a combination of control deficiencies, that adversely affects the District'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 District's internal control.

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

Our consideration of the internal control over compliance was for the limited purposes described in the first paragraph of this section and would not necessarily identify all deficiencies in the 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 San Diego Unified Port District as of and for the year ended June 30, 2009, and have issued our report thereon dated October 30, 2009. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. 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 of the Board of Port Commissioners and management of the San Diego Unified Port District and federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Mayer Hoffman McCann P.C.

Irvine, California
October 30, 2009

SAN DIEGO UNIFIED PORT DISTRICT

Schedule of Expenditures of Federal Awards

As of June 30, 2009

Federal Grantor/Program Title		Catalog of Federal Domestic Assistance number	Contracts/Grant No.	Expenditures
Department of Homeland Security				
Direct Funding:				
Port Security Grant Round 3	*	97.056	HSTS04-04-G-GPS339	51,591
Port Security Grant Round 4	*	97.056	HSTS04-04-G-GPS618	941,855
Port Security Grant Round 5 - Harbor Police	*	97.056	2005-GB-T5-0096	649,608
Port Security Grant Round 5 - Maritime	*	97.056	2005-GB-T5-0125	1,791,161
Port Security Grant Round 6	*	97.056	2006-GB-T6-0091	21,443
Port Security Grant Round 7	*	97.056	2007-GB-T7-0243	115,762
Port Security Grant Round 7	*	97.056	2007-GB-T7-0244	40,889
Port Security Grant Round 8	*	97.056	2008-GB-T8-K009	289,389
HIDTA - Marine Task Force		99.XXX		75,000
Immigration and Customs Enforcement		97.XXX		19,812
K-9 Explosives Detection Team Program		97.072	HSTS0208HCAN447	251,999
Subtotal				4,248,509
Pass-Through:				
Operation Stonegarden		97.067	2008-SG-T8-0001	96,108
SHSGP - LETPP FY 2008		97.074	2005-15	36,961
Subtotal				133,069
Total Department of Homeland Security				4,381,578
U.S. Department of Justice				
Direct Funding:				
Narcotic Task Force Program - DEA		16.579		5,023
Multi-Disciplinary Anti-Trafficking Task Force		16.320		475
Bulletproof Vest Program FY2007		16.607		5,075
SD Joint Terrorism Task Force/FBI		16.XXX	66F-SD-C61391	10,709
Total U.S. Department of Justice				21,282
U.S. Environmental Potection Agency				
Direct Funding:				
Pollution Prevention		66.708	NP-00946501-1	78,236
Total U.S. Environmental Potection Agency				78,236
National Oceanic & Athmospheric Administration				
Direct Funding:				
San Diego Bay A-8 Anchorage Marine Debris Removal Project		11.463	NA07NMF4630156	29,107
Total National Oceanic & Athmospheric Administration				29,107
Total Expenditures of Federal Awards				$ 4,510,203

* Tested as a Major Program

See accompanying note to schedule of expenditures of federal awards.

SAN DIEGO UNIFIED PORT DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND AWARDS

(1) **Summary of significant accounting policies applicable to the schedule of expenditures of federal awards**

Scope of presentation - The accompanying schedule presents only the expenditures incurred by the San Diego Unified Port District (the District) that are reimbursable under programs of federal agencies providing financial awards. For the purposes of this schedule, financial awards include federal awards received directly from a federal agency, as well as federal funds received indirectly by the District from a non-federal agency or other organization. Only the portions of program expenditures reimbursable with such federal funds are reported in the accompanying schedule. Program expenditures in excess of the maximum reimbursement authorized or the portion of the program expenditures that were funded with other state, local or other non-federal funds are excluded from the accompanying schedule.

Basis of accounting - The expenditures included in the accompanying schedule were reported on the accrual basis of accounting. Under the accrual basis of accounting, expenditures are recognized when incurred. Expenditures reported include any property or equipment acquisitions incurred under the federal program.

Subrecipients – There were no federal funds passed through to subrecipients for the year ended June 30, 2009.

SAN DIEGO UNIFIED PORT DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2009

(A) Summary of auditors' results

1. An unqualified opinion was issued by the auditors on the financial statements of the auditee.

2. No material weaknesses in internal control were reported for the period under audit, nor were there any significant deficiencies reported.

3. The audit disclosed no noncompliance which is material to the financial statements of the auditee.

4. There were no material weaknesses or significant deficiencies reported related to internal control over the major programs of the auditee.

5. An unqualified report was issued by the auditors on compliance for major programs.

6. The audit disclosed no audit findings required to be reported under paragraph .510(a) of OMB Circular A-133.

7. The major programs of the auditee were CFDA No. 97.056 Department of Homeland Security, Port Security Grants Rounds 3, 4, 5, 6, 7, and 8. The dollar threshold used to distinguish Type A and Type B programs was $300,000.

8. The auditee qualified as a low risk auditee, as defined by OMB Circular A-133, paragraph .530, for the year ended June 30, 2009 for purposes of major program determination.

(B) Findings related to the financial statements which are required to be reported in accordance with GAGAS

There are no auditors' findings required to be reported in accordance with GAGAS.

(C) **Findings and questioned costs for Federal Awards as defined in Paragraph .510(a) of OMB Circular A-133**

There were no questioned costs for Federal Awards as defined in Paragraph .510(a) of OMB Circular A-133.

Prior Audit Findings

There were no audit findings for the year ended June 30, 2008.