



**PORT OF LOS ANGELES  
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES),  
AN ENTERPRISE FUND OF THE CITY OF LOS ANGELES, CALIFORNIA**

Single Audit Reports

Year ended June 30, 2004

**PORT OF LOS ANGELES  
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES),  
AN ENTERPRISE FUND OF THE CITY OF LOS ANGELES, CALIFORNIA**

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**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 (the Port) (Harbor Department of the City of Los Angeles, an Enterprise Fund of the City of Los Angeles, California) as of and for the year ended June 30, 2004, and have issued our report thereon dated September 17, 2004. 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**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*.

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

KPMG LLP

September 17, 2004



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**Report on Compliance with Requirements Applicable to Each  
Major Program and on Internal Control over Compliance in Accordance  
with U.S. Office of Management and Budget 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 (the Port) (Harbor Department of the City of Los Angeles, an Enterprise Fund of the City of Los Angeles) 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, 2004. The Port'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 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 on 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, 2004.

**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 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 and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

#### **Schedule of Expenditures of Federal Awards**

We have audited the basic financial statements of the Port as of and for the year ended June 30, 2004, and have issued our report thereon dated September 17, 2004. 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 and use of the Port's Board of Harbor Commissioners and management, the Port's federal awarding agencies and its pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

**KPMG LLP**

September 17, 2004

**PORT OF LOS ANGELES  
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Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

Federal grantor/program title	Federal CFDA number	Grant number/ through grantor's number	Federal entitlement amount	Accrued grant revenue, July 1, 2003	Grant revenue received	Federal grant expenditures	Accrued grant revenue, June 30, 2004
Department of Transportation Security Authority: Passed through the Department of Transportation, Maritime Administration Port Security Act Program	20.401	DTMAIG02054	\$ 1,500,000	650,436	1,072,940	1,495,799	423,374
Department of Homeland Security: Passed through the Department of Homeland Security, Transportation Security Administration (1)	97.058	DTSA2003G1292	13,697,053	—	4,272,817	4,063,180	683,500
Total federal financial assistance			\$ 15,197,053	650,436	5,345,757	5,558,979	1,106,874

(1) This program is considered a major program (note 3).

See accompanying notes to schedule of expenditures of federal awards and report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with U.S. Office of Management and Budget Circular A-133.

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Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

**(1) General**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of federal financial assistance programs of the Port of Los Angeles. The Port of Los Angeles' reporting entity is defined in note 1 of notes to the Port's financial statements as of and for the year ended June 30, 2004. All federal financial assistance is passed through other government agencies and is included in the accompanying 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 revenues are recognized when earned and expenses are recognized when incurred.

**(3) Definition of Major Federal Financial Assistance Program**

The Single Audit Act Amendments of 1996 defines major federal award programs based upon total federal expenditures of the grantee during the period reported and inherent risk of the programs audited. The Transportation Security Administration (CFDA No. 97.058) is considered to be a major federal financial assistance program for the year ended June 30, 2004. (See summary of auditors' 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 to amounts reported in the respective federal financial reports.



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Schedule of Findings and Questioned Costs

Year ended June 30, 2004

**(1) Summary of Auditors' Results**

- (a) The type of report issued on the financial statements: **Unqualified Opinion.**
- (b) Reportable conditions in internal control were disclosed by the audit of the financial statements: **None reported; Material weaknesses: None noted.**
- (c) Noncompliance which is material to the financial statements: **None noted.**
- (d) Reportable conditions in internal control over major program: **None reported.**
- (e) The type of report issued on compliance for major program: **Unqualified Opinion.**
- (f) Any audit findings which are required to be reported under Section .510(a) of OMB Circular A-133: **None noted.**
- (g) Major programs: **Department of Homeland Security – Transportation Security Administration (CFDA No. 97.058)**
- (h) Dollar threshold used to distinguish between Type A and Type B programs: **\$300,000.**
- (i) Auditee qualified as a low-risk auditee under Section .530 of OMB Circular A-133: **Yes.**

**(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards***

**None noted.**

**(3) Findings and Recommendations Relating to Federal Awards**

**None noted.**