

**Harbor Community Benefit Foundation,
Port Community Mitigation Trust Fund
and Air Quality Mitigation Fund**

Communication of Significant
Deficiencies and Other Matters

December 31, 2019



May 29, 2020

To the Audit Committee of
Harbor Community Benefit Foundation,
Port Community Mitigation Trust Fund and
Air Quality Mitigation Fund
San Pedro, California

In planning and performing our audit of the combining financial statements of Harbor Community Benefit Foundation, Port Community Mitigation Trust Fund and Air Quality Mitigation Fund (the "Organization") as of and for the year ended December 31, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's internal control over financial reporting ("internal controls") 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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal controls was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal controls that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal controls, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, during the course of our financial statement audit we may become aware of certain deficiencies in internal controls. To the extent that such deficiencies rise to the level of a significant deficiency or material weakness, we are required to bring them to the attention of those charged with governance.

Material Weaknesses

A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

Significant Deficiencies

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 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.

We consider the following deficiencies to be significant deficiencies in internal control:

GRANT DISBURSEMENTS

During our grant disbursement testing, we noted the Executive Director inadvertently disbursed funds for a grant that was not in line with the payment schedule approved by the Board. We recommend the Organization implement a second approval on wire disbursements the same way there is a second signor required on checks. If this is not possible, we recommend review and approval of significant disbursements after they are made.

Management's response: Management obtained the proper approvals prior to the disbursement of the grant and once the disbursement was made, the error was identified internally and immediately remediated in a timely manner. We will implement a control to properly review disbursements after they are made for accuracy.

This communication is intended solely for the information and use of management, the outside accountants, and the Audit Committee of the Organization and is not intended to be and should not be used by anyone other than this specified party.


Armanino^{LLP}