



AUDIT COMMITTEE

Report to the
Board of Harbor Commissioners

Item #2a-2

“FOR INFORMATION ONLY”

DATE: APRIL 17, 2014

TO: AUDIT COMMITTEE OF THE BOARD OF HARBOR COMMISSIONERS

SUBJECT: PROCESS AUDITS

Definition

A process audit looks at a specified area of an operation to test its overall compliance with organizational policies and procedures and usually includes an assessment of internal controls. Such an audit examines the effectiveness of company procedures in achieving company objectives. Process audits employ standard auditing techniques: assess risk, collect and analyze data and documents, interview staff, sample transactions for detail testing, evaluate results and draft findings, and report recommendations to management. Process audits are repeated at specified intervals to measure on-going performance improvement.

Background

In July 2011, at the request of the Board of Harbor Commissioners Audit Committee, Management Audit (MA) began to explore a more comprehensive internal audit program that would cover all Harbor divisions. Previously, MA performed audits on a specific target or subject basis.

In creating a comprehensive audit program, MA hired Harvey Rose & Associates, an independent auditor, in order to move more quickly to establish the process. The audit team has worked with all divisions to complete an initial risk assessment of each division. MA will coordinate with divisions and follow up with detail transaction testing and interviews to assess operations.

Timeline

MA plans to initiate the first audits of Harbor Divisions at the end of this month. Prior to commencing each audit, the audit team will hold an entrance conference with the appropriate Bureau chief and Division Head to introduce the audit team, describe the project scope and process, and establish protocols for project activities. The plan is to cover all Harbor Divisions over a three-year cycle by performing 8-10 audits each fiscal year. MA expects that each audit requires 4-8 weeks to complete, depending on the Division size, complexity of its operations, and staff availability.


for GARY LEE MOORE, P.E.
Interim Executive Director