

America's Port

The Report of the Internal Auditor

Audit Committee November 16, 2023



What's New in the Exciting World of INTERNAL AUDIT



TOPICS COVERED

- > Status of the Division Audit Resources
 - Consultant Pool
 - Staffing Offer made to new auditor
- Follow Up Request re: Audit Recommendations
- > Fraud Detection & Deterrence Program
- Engagements in Progress
- > Plan Revisions
- Ongoing Key Projects

STATUS OF THE DIVISION



RESOURCES

- CONSULTANTS consultants responding to requests will present consulting agreements along with Board report in January, 2024:
 - Davis Farr, LLP
 - Lance, Soll, & Lunghard, LLP
 - TAP International, Inc.
 - Turner, Warren, Huang & Conrad, AC
 - UHY Advisors Ca, Inc.

STAFFING

 Hoping to bring on a new auditor to join the Internal Audit Division, after interviews were conducted in September 2023; pending approvals.

AUDIT RECOMMENDATIONS – Follow Up



Audit Recommendation Removal Justification

	Just	ification Type	of Closed Recomme							
	Erroneous Finding				Recommendation Category of Closed Recommendations					
Audit Title					Monitoring	Policy & Procedure	Process Improvement	Proper Accounting		
IEAS 2018 (2019)		2			1		1			
Payroll Performance Audit (2018)		3				1	2			
Goods Movement Process Audit (2015)		4		1		3	2			
Wharfinger Process Audit (2015)	1	16	1		2	7	3	6		
Port Police Process Audit (2016)	1	15	1	5	4	6	7	5		
IT Process Audit (2015)		3		1	3			1		
Parking Concepts LLC Performance Audit (2022)	4	1			2		1	2		
Accounts Payable Performance Audit (2018)		20		1	6	7	6	2		
Accounts Receivable Performance Audit (2018)		5				2	3			
Marine Law Enforcement Training Center Performance Audit (2017)		12		1			13			
Ports America Performance Audit (2021)		2		1	1			2		
TOTAL	6	83	2	10	19	26	38	18		
PERCENTAGE	6%	82%	2%	10%	19%	26%	38%	18%		

AUDIT RECOMMENDATIONS – Follow Up



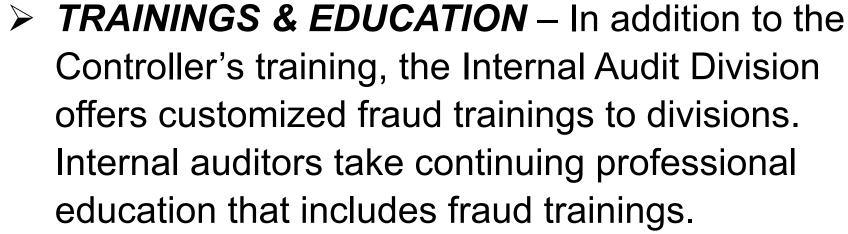
Audit Recommendation Removal Justification

	Ownership Divisions											
Audit Title	Accounting	Contracts & Purchasing	Exec Mgmt	Finance	Goods Movement	HR	π	Payroll	Port Police	Waterfront & Comm RE	Wharfinger	Parking Concepts, Inc.
IEAS 2018 (2019)						2						
Payroll Performance Audit (2018)						1		2				
Goods Movement Process Audit (2015)					4	1						
Wharfinger Process Audit (2015)	2		2	3								
Port Police Process Audit (2016)	10	1		1	1				9		11	
IT Process Audit (2015)							4					
Parking Concepts LLC Performance Audit (2022)			1							2		2
Accounts Payable Performance Audit (2018)	20		1									
Accounts Receivable Performance Audit (2018)	2						1		1	1		
Marine Law Enforcement Training Center Performance Audit (2017)									13			
Ports America Performance Audit (2021)										3		
TOTAL PERCENTAGE	34 34%	1 1%	4 4%	4 4%	5 5%	4 4%	5 5%	2 2%	23 23%	6 6%	11 11%	2 2%

FRAUD DETECTION & DETERRENCE PROGRAM



EXISTING ELEMENTS:



- FRAUD RISK ASSESSMENTS included in every audit, during the planning phase
- INTERNAL CONTROLS Consult on new controls, as identified in the new ERP



FRAUD DETECTION & DETERRENCE PROGRAM





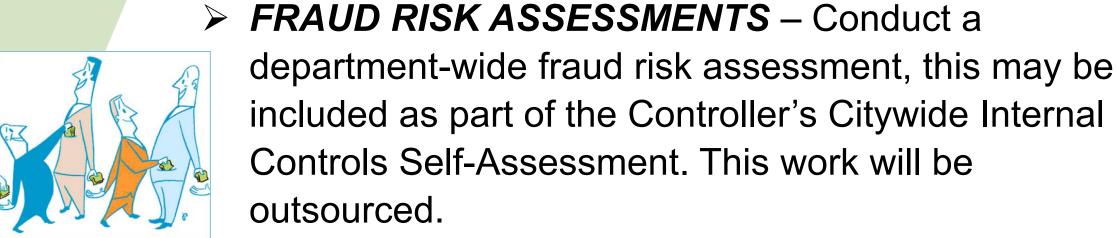
FUTURE ELEMENTS:

- REPORT Fraud & Non-Compliance new reporting mechanisms: hotline / web link – external & internal / email, exclusive to the Port.
- > TRAININGS & EDUCATION to be included in the new employee orientation and updated employee manual.
- ➤ INTERNAL CONTROLS Actively participate in the Controller's Citywide Internal Controls Self-Assessment.

FRAUD DETECTION & DETERRENCE PROGRAM



FUTURE ELEMENTS (cont.)



AUDITS – Revise audit plan to include a fraud / internal controls audit. This will focus on our biggest fraud risk area, most likely in procurement.

ENGAGEMENTS IN PROGRESS





Lane Victory - Fieldwork stage, in-house

PBF Energy – Entrance conference on 11/7 with WCRED, IAD and consultant



Warehouses – Fieldwork stage – in-house

CRAFTED at the Port of LA - Fieldwork stage, Howe



New Consulting Engagements – Internal Controls assessments

- Leasing Policy
- Credit / P-Card Policy

AUDIT PLAN CHANGES



In response to new requests, we will make changes to the Audit Plan. The revised Audit Plan will be provide to the Audit Committee meeting in December 2023.

We previously expected to review the **Sponsorships and Community Grants** in FY25; due to the concerns raised by the Board of Harbor
Commissioners, this audit will be prioritized and performed this Fiscal Year.

Additionally, the Internal Audit Division will incorporate more Internal Controls and Fraud audit work into the Audit Plan.

INTERNAL AUDIT'S ONGOING KEY PROJECTS



- ✓ Audit Manual that documents Polices & Procedures
- ✓ Reviewing & Updating the Agile Audit Plan
- ✓ Improved Risk Assessments (Fraud Risk Assessment and eventually an Enterprise Risk Assessment)
- ✓ Audits and Consulting Work
- ✓ The Controller's Citywide Internal Controls Self-Assessment
- ✓ Preparing for a Peer Review

CONCLUSION



Any questions can always be addressed now by the Internal Audit team or by emailing or calling: Barb Steelman

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