

**THE PORT  
OF LOS ANGELES** 

---

**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

Audit Title	Justification Type of Closed Recommendations				Recommendation Category of Closed Recommendations			
	Erroneous Finding	No Longer Relevant	Inadequately Addressed Finding	Duplicate Recommendation	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
<b>TOTAL</b>	<b>6</b>	<b>83</b>	<b>2</b>	<b>10</b>	<b>19</b>	<b>26</b>	<b>38</b>	<b>18</b>
<b>PERCENTAGE</b>	<b>6%</b>	<b>82%</b>	<b>2%</b>	<b>10%</b>	<b>19%</b>	<b>26%</b>	<b>38%</b>	<b>18%</b>

# AUDIT RECOMMENDATIONS – Follow Up



## Audit Recommendation Removal Justification

Audit Title	Ownership Divisions											Parking Concepts, Inc.
	Accounting	Contracts & Purchasing	Exec Mgmt	Finance	Goods Movement	HR	IT	Payroll	Port Police	Waterfront & Comm RE	Wharfinger	
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		
<b>TOTAL</b>	<b>34</b>	<b>1</b>	<b>4</b>	<b>4</b>	<b>5</b>	<b>4</b>	<b>5</b>	<b>2</b>	<b>23</b>	<b>6</b>	<b>11</b>	<b>2</b>
<b>PERCENTAGE</b>	<b>34%</b>	<b>1%</b>	<b>4%</b>	<b>4%</b>	<b>5%</b>	<b>4%</b>	<b>5%</b>	<b>2%</b>	<b>23%</b>	<b>6%</b>	<b>11%</b>	<b>2%</b>



# FRAUD DETECTION & DETERRENCE PROGRAM

## EXISTING ELEMENTS:

- **TRAININGS & EDUCATION** – In addition to the Controller’s training, the Internal Audit Division offers customized fraud trainings to divisions. Internal auditors take continuing professional education that includes fraud trainings.
- **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.)

- **FRAUD RISK ASSESSMENTS** – Conduct a department-wide fraud risk assessment, this may be included as part of the Controller’s Citywide Internal Controls Self-Assessment. This work will be outsourced.
- **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 Policies & 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

[bsteelman@portla.org](mailto:bsteelman@portla.org)

424-473-0202