



**THE PORT
OF LOS ANGELES**
Executive Director's
Report to the
Board of Harbor Commissioners

DATE: NOVEMBER 6, 2025

FROM: INTERNAL AUDIT

SUBJECT: RESOLUTION NO. _____ - APPROVE CITY OF LOS ANGELES HARBOR DEPARTMENT'S FISCAL YEAR 2026 INTERNAL AUDIT PLAN

SUMMARY:

Staff requests adoption of the City of Los Angeles Harbor Department's (Harbor Department) Fiscal Year (FY) 2026 Internal Audit Plan (Plan). The Plan was prepared by the Harbor Department's Internal Audit Division (IAD), with input from the Audit Committee Chair, the Executive Director, Chief of Staff to the Executive Director, senior management of key Divisions, and other Harbor Department stakeholders. The Plan was prepared in accordance with internal audit industry standards, using a risk-based approach. Global Internal Audit Standards (Global Standards), promulgated by the Institute of Internal Auditors, require that the Plan be approved by the Board of Harbor Commissioners (Board) annually. There is no direct financial impact associated with the approval of the proposed Plan.

RECOMMENDATION:

It is recommended that the Board:

1. Find that the Director of Environmental Management has determined that the proposed action is administratively exempt from the requirements of the California Environmental Quality Act (CEQA) under Article II Section 2(f) of the Los Angeles City CEQA Guidelines;
2. Approve the Harbor Department's FY 2026 Internal Audit Plan;
3. Designate the Audit Committee to approve minor changes to the Plan, as needed, and require IAD to bring significant Plan changes back to the Board for approval; and
4. Adopt Resolution No. _____.

DATE: NOVEMBER 6, 2025

PAGE 2 OF 4

SUBJECT: FY 2026 INTERNAL AUDIT PLAN

DISCUSSION:

Background – In 2025, the Institute of Internal Auditors issued the Global Internal Audit Standards. The Global Standards provided guidance for the Harbor Department's IAD to have two documents approved by the governing board on an annual basis, an Internal Audit Charter and the Annual Plan (Transmittal 1). Conformance with the Global Standards provides for quality, independence and professional due diligence in performing internal audit projects.

The Director of Internal Audit, in consultation with the Audit Committee of the Board (Audit Committee) and executive management, determined that following the Global Standards was preferable to following the Generally Accepted Government Auditing Standards, the alternative audit standards promulgated by the Government Accountability Office (GAO). The Global Standards allow for non-audit advisory services or consulting projects, predicated on independence not being impaired in performing that work but are more prescriptive in requiring the Board's approval of the Plan.

IAD has identified a major Harbor Department program that will be undertaken, starting in the FY 2026 Plan, a \$411,688,296 U.S. Environmental Protection Agency (EPA) Clean Ports Program Grant (Clean Ports Grant) to fund zero-emissions (ZE) infrastructure, equipment, ZE grants and workforce development programs. On January 16, 2025, the Board approved Resolution No. 25-10486, accepting the Clean Ports Grant in EPA Clean Ports Program Grant Agreement No. 5Y-97T27601-0 which requires the Harbor Department's performance and the performance of any Subrecipients to be audited under federal agency standards. A non-Federal entity that expends \$1 million or more during the non-Federal entity's fiscal year in Federal awards must have a single or program specific audit conducted for that year in accordance with Title 2 Code of Federal Regulations (CFR) Part 200 Subpart F - Audit Requirements. IAD will arrange for the audit and monitoring requirements of the Subrecipients of the award. The estimated range of audit and monitoring costs is expected to be between \$117,000 and \$148,000.

On September 11, 2025, the IAD presented this Plan to the Audit Committee which had no changes and recommended the Plan be brought to the full Board of Harbor Commissioners. Staff requests approval of the Harbor Department's FY 2026 Plan (Transmittal 2). The Harbor Department seeks to perform audit and consulting work through its IAD, within the approved and adopted budget for FY 2026.

DATE: NOVEMBER 6, 2025

PAGE 3 OF 4

SUBJECT: FY 2026 INTERNAL AUDIT PLAN

ENVIRONMENTAL ASSESSMENT:

The proposed action is the approval of the Audit Plan, which is an administrative activity. Therefore, the Director of Environmental Management has determined that the proposed action is administratively exempt from the requirements of CEQA in accordance with Article II Section 2(f) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

Adoption of the proposed Plan will have no direct fiscal impact to the Harbor Department; however, to effectuate the Plan the IAD expects to utilize approximately \$250,000 in funds appropriated by the Board for audit consulting services. FY 2026 funding in the amount of \$250,000 is available within Account 544000 (Financial Audit Services), Division 66010 (Internal Audit).

CITY ATTORNEY:

The Office of the City Attorney has reviewed the FY 2026 Internal Audit Plan and finds no legal issues at this time.

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DATE: NOVEMBER 6, 2025

PAGE 4 OF 4

SUBJECT: FY 2026 INTERNAL AUDIT PLAN

TRANSMITTALS:

1. Standard 9.4 of the Global Standards
2. FY 2026 Internal Audit Plan

FIS Approval: JS
CA Approval: MP



SHER S. SHAH
Acting Director of Internal Audit



STEPHANIE MAGNIEN ROCKWELL
Chief of Staff to the Executive Director

APPROVED:

Erica M. Calhoun for

EUGENE D. SEROKA
Executive Director