

Audit Recommendations Follow-Up Report

Executive Summary

This report provides an update on recommendations from four audits published in the last three years. Overall, management has implemented 22 of the 28 audit recommendations included in Appendix A, demonstrating strong adherence to audit recommendations. It also includes updates from 11 outstanding recommendations in audits issued over three years ago. Management has implemented 8 of the 11 audit recommendations included in Appendix B, and the remaining 3 were closed.

Audits Included in This Follow-Up Report

This report evaluates the implementation status of audit recommendations issued by the Internal Audit Division.

From 2022 through 2025, four audit reports resulted in 28 recommendations, detailed in Appendix A. This does not include the Lane Victory audit, which was presented to the Audit Committee on September 11, 2025. A follow-up was deferred to allow the Waterfront and Commercial Real Estate Division and the tenant time to develop an implementation plan. This audit will be included in future follow-up reports.

Post-2022 (Appendix A)

- Compliance Audit of PBF Energy's Permit
- Compliance Audit of CRAFTED's Permit
- Performance Audit of the Community Investment Grant Program
- Performance Audit of the Clean Truck Fund Rate

In September 2023, IAD evaluated recommendations issued prior to 2022 to determine whether they had been implemented and, if not, whether they were still relevant. Based on this analysis, 11 recommendations were determined to be worthy of continued follow-up. Appendix B covers these recommendations, which were issued as part of four audits. To be clear, this does not include all the recommendations in these audits, but only the 11 recommendations noted above.

Pre-2022 (Appendix B)

- Marine Law Enforcement Training Center
- IEAS 2018
- Ports America

- Parking Concepts, Inc.

To date, management has implemented 22 of the 28 recommendations of the post-2022 recommendations, reflecting strong adherence to audit recommendations. Additionally, 8 of the 11 recommendations from prior to 2022 have been implemented.

Summary of Implementation Status

Post-2022 (Appendix A)

- **Total recommendations issued: 28**
- **Implemented: 22**
- **Not yet implemented: 5**
- **Closed:¹ 1**
- **Percentage implemented/closed: 82%**

Pre-2022 (Appendix B)

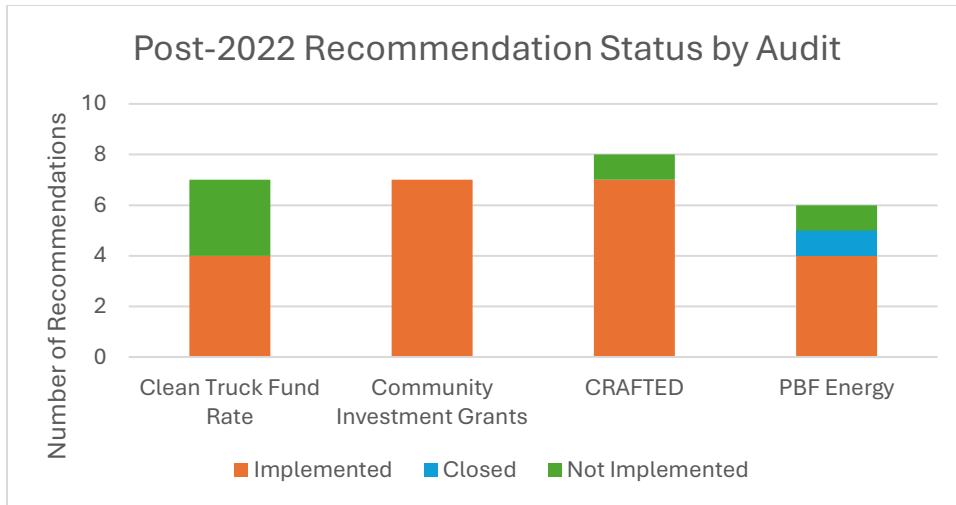
- **Total recommendations issued: 11**
- **Implemented: 8**
- **Closed:¹ 3**
- **Percentage implemented/closed: 100%**

Implementation Status by Audit Report

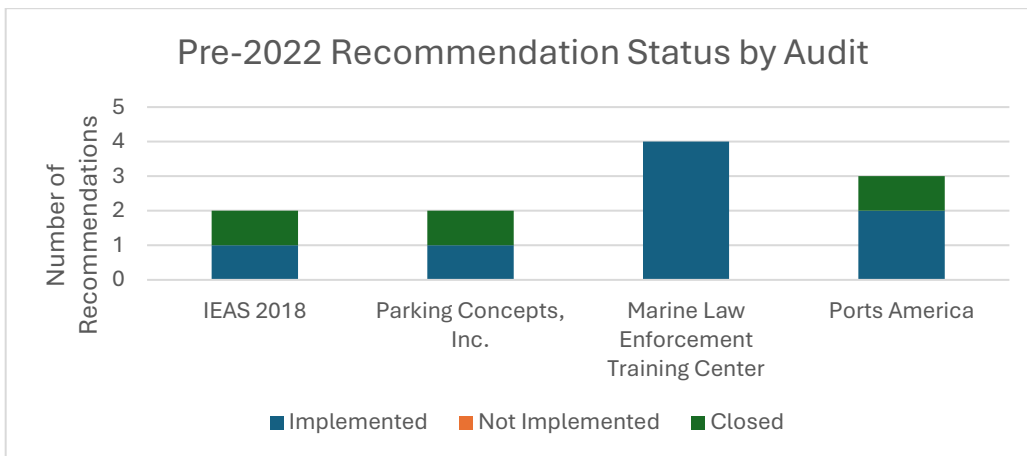
This section provides a breakdown of the implementation status for each audit report included in the review.

Among the audits issued after 2022, over 50% of the recommendations for each audit have been implemented:

¹ Closed recommendations have not been implemented, but upon further audit work, the Internal Audit Division has determined that the recommendation is no longer appropriate.



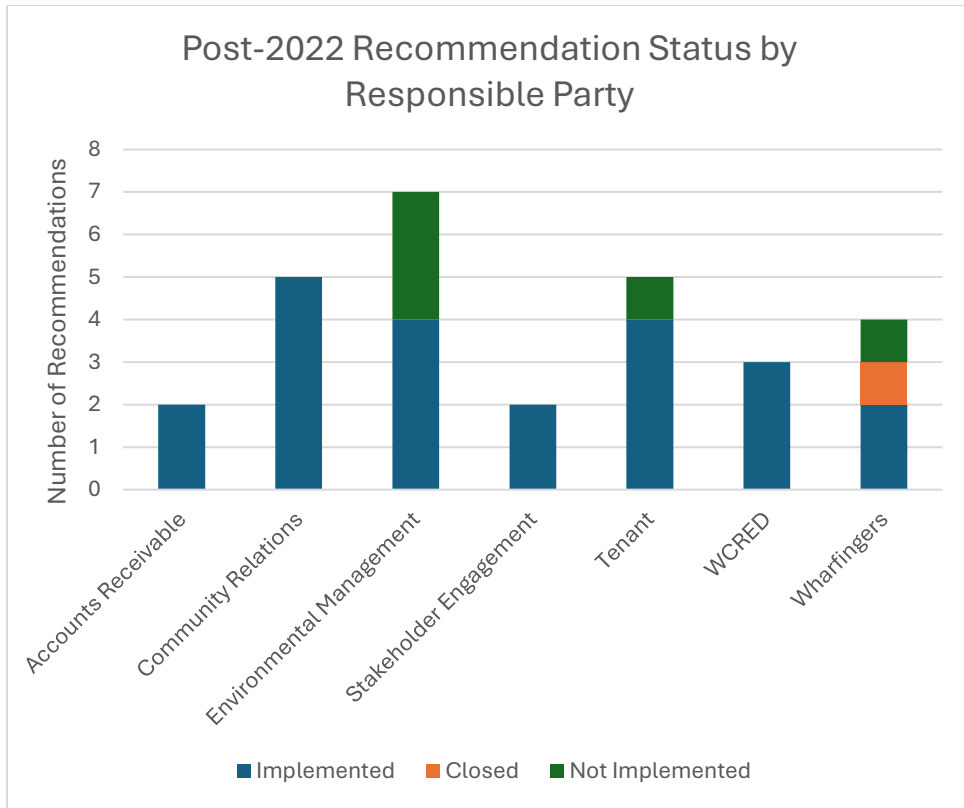
Among the audits issued prior to 2022, all of the recommendations were either implemented or closed:



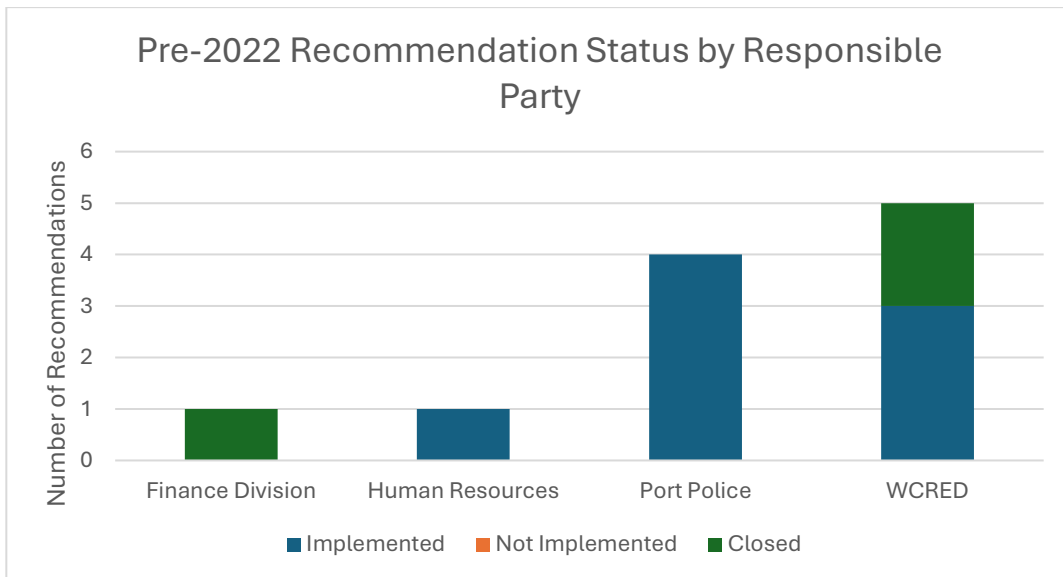
Implementation Status by Responsible Party

This section identifies which divisions are responsible for implementing the recommendations and summarizes their progress. In most cases, the party responsible will be the auditee. In a compliance audit, for example, some recommendations may be assigned to the tenant, while others are assigned to divisions within the Harbor Department.

Among the audits issued after 2022, all divisions have implemented 50% or more of the audit recommendations assigned to them:



Among the audits issued before 2022, all of the recommendations have either been implemented or closed:



Appendix A: Recommendation Listing from July 2022 to June 2025

#	Audit Title	Finding	Recommendation	Responsible Entity	Implementation Status	IAD Follow-Up Notes
1	PBF Energy	The Port Overcharged PBF \$78,906 in Tank Rent	Develop a process to ensure all wharfage and dockage charges are considered during the annual compensation reconciliations.	Accounts Receivable	Implemented	Per Frank Liu: Implemented for Fiscal Year (FY) 2023-2024 calculation. Wharfage and Dockage were included in the annual compensation reconciliation for FY 2023-2024 per the recommendation.
2	PBF Energy	The Port Overcharged PBF \$78,906 in Tank Rent	Reevaluate all tank rent charges calculated since the start of Permit 936 to ensure PBF has paid the appropriate amounts according to the permit requirements. Refund any tank rent payment made associated with excess charges.	Accounts Receivable	Implemented	Per Frank Liu: The reevaluation agreed with the auditor's determination of overcharged amount of \$78,906. PBF also paid the invoice in question in 2023. If the overcharged amount is reviewed and agreed by other Port divisions on this report and the audit is finalized, please provide Accounting a memo to authorize the refund. Accounting will reverse the invoice in question and provide PBF a credit memo for future invoices.
3	PBF Energy	The Port Generally Assessed Tariff Charges Associated with Permit 936 Activity in a Manner That Aligned with POLA's Tariff No. 4; One Minor Exception was Identified	Develop a process to minimize data entry errors by staff to ensure the correct charges are assessed and collected as required under Tariff No. 4	Wharfingers	Closed	After conducting some additional audit steps, IAD determined to close this recommendation. The Wharfingers process has appropriate redundancies and oversight that enable it to catch most errors. The fact that there was only one error and for a minimal amount, demonstrates good internal controls, not a process in need of overhaul.
4	PBF Energy	The Port Generally Assessed Tariff Charges Associated with Permit 936 Activity in a Manner That Aligned with POLA's Tariff No. 4;	Collect the \$505 undercharge from PBF or the owner of the vessel PBF charters.	Wharfingers	Implemented	Wharfingers has processed the credit and rebill for the PBF invoice.

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		One Minor Exception was Identified				
5	PBF Energy	The Port Does Not Have a Process to Validate the Number of Barrel Units Used as the Basis for Calculating Wharfage Tariff Charges	Develop a process to periodically compare and spot check self-reported volume data submitted by PBF on wharf statements to handwritten tickets prepared by the tank gaugers. For example, this recommended comparison procedure could occur in conjunction with the annual compensation reconciliation process.	Wharfingers	Implemented	Wharfingers will solicit 3rd party gauger tickets from the terminal on a periodic basis to confirm accuracy of reported liquid bulk volumes.
6	PBF Energy	The Port Has Not Re-Instated Wharfinger Site Visits Eliminated During COVID	By November 30, 2024, the Port should: Reinstate the Wharfinger site visits	Wharfingers	Not Implemented	Wharfingers have announced that they will be conducting quarterly site visits.
7	CRAFTED	CRAFTED has improperly used the premises	CRAFTED should remove the non-permitted items or obtain written permission from the Waterfront & Commercial Real Estate Division by September 30, 2024.	Tenant	Implemented	Non-permitted items were removed in Sept 2024.
8	CRAFTED	CRAFTED has improperly used the premises	CRAFTED should formalize any future subleases with the Waterfront & Commercial Real Estate Division's consideration and pre-approval.	Tenant	Implemented	We have been working with the Port to put in batting cages.
9	CRAFTED	CRAFTED has not submitted all reports to the Waterfront &	CRAFTED should develop and submit a five-year plan for the use of the premises to	Tenant	Not Implemented	The five-year plan submitted to the audit team did not address capital investment or

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		Commercial Real Estate Division as required by permit	the Waterfront & Commercial Real Estate, per the agreement, by September 30, 2024.			renovation, as required in CRAFTED's permit.
10	CRAFTED	The Waterfront & Commercial Real Estate Division's monitoring and enforcement of the CRAFTED permit is inadequate.	The Waterfront & Commercial Real Estate Division should incorporate procedures to monitor permit compliance on a regular basis, but not less than annually.	WCRED	Implemented	This was implemented by the WCRED in 2025. WCRED routinely schedules site visits and property inspections with CRAFTED on a minimum of an annual basis to ensure permit compliance. Due to the increase in activity at the CRAFTED property, site visits have occurred more frequently than once a year.
11	CRAFTED	The Waterfront & Commercial Real Estate Division's monitoring and enforcement of the CRAFTED permit is inadequate.	The Waterfront & Commercial Real Estate Division should document any future material exceptions to the permit.	WCRED	Implemented	This was implemented at the conclusion of the audit and is examined through site inspections. To date there has not been any further material exceptions to the permit.
12	CRAFTED	The Harbor Department's permit with CRAFTED lacks key terms needed for sufficient oversight	The Harbor Department should incorporate into any future permits and/or permit extensions a requirement of tenants and subtenants to provide certified financial statements and separate reporting of the tenants and subtenants	WCRED	Implemented	The Waterfront and Real Estate Division will be incorporating new language in future leases where feasible as new leases are negotiated.
13	CRAFTED	CRAFTED's former Executive Director was nonresponsive to auditors and their requests	CRAFTED should maintain all documents that are required by its permit	Tenant	Implemented	Crafted assures that documentation will be properly organized in files going forward in order to comply with permit.
14	CRAFTED	CRAFTED's former Executive Director was nonresponsive to	CRAFTED management should make itself reasonably available to respond to inquiries from	Tenant	Implemented	Management is available when needed.

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		auditors and their requests	auditors and the Waterfront & Commercial Real Estate Division			
15	Community Investment Grants	The Community Investment Grants program lacks sufficient written procedures.	The Community Relations Department should develop a policies and procedures document to manage the Community Investment Grants program. The document should include expected timing for each step in the process, along with who is responsible for each step.	Community Relations	Implemented	The Community Investment Grant Policy document was updated in January of 2025 to provide clear guidance to staff on policies and procedures for the Grant Program.
16	Community Investment Grants	The Community Investment Grants program lacks sufficient written procedures.	Ensure that the developed policies and procedures relating to the Community Investment Grants program meet each of the relevant Departmental policies and guidelines	Community Relations	Implemented	The procedures for the policy are clearly outlined in the document that was updated in January of 2025. The Program ensures compliance with the Tidelands Trust, successful applicants are 501c3 entities in good standing and that funded events/programs/projects are consistent with the Port's Community Engagement efforts.
17	Community Investment Grants	The review and processing of grant awards took significantly longer than what was initially represented to grant applicants.	The Director of Community Relations should oversee and troubleshoot any problems to reduce payment timing as defined in the policies and procedures.	Community Relations	Implemented	Yes. The Director continues to oversee and troubleshoot problems as they arise. As an example, staff will raise issues related to insurance or missing documents as soon as they have knowledge of an issue, which is then immediately addressed. We have also created a weekly update sheet that includes what the status is of each grant, which is available to the Team for awareness.

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18	Community Investment Grants	The review and processing of grant awards took significantly longer than what was initially represented to grant applicants.	The Director of Community Relations should designate specific staff to regularly monitor the status of all the steps of the grant application and payment process steps in the grant process to ensure timely processing	Community Relations	Implemented	Yes. This is an ongoing effort and delays are due to various issues outside of the control of Community Relations. Various members of the Team weekly monitor the progress of the grants and make every effort to avoid delays in the process. With the introduction of the new online platform, the Team will be able to more timely assist with moving the process forward and information will be more readily available to the rest of the Team.
19	Community Investment Grants	The review and processing of grant awards took significantly longer than what was initially represented to grant applicants.	The Stakeholder Engagement Bureau should provide an electronic form for the grant application.	Stakeholder Engagement	Implemented	Yes. The Community Relations Division has secured a grants management online platform that will assist with the processing of grants from submittal up until the point of payment, at which point, payment will still be handled by the Community Relations Division. Additionally, the new platform will allow the applicant to have online visibility on the status of their grant and what/if anything they can provide to move their grant forward.
20	Community Investment Grants	Rejected grant applicants whose activity does not meet the Tidelands Trust Nexus requirements are not notified of the specific reason for the rejection of their applications	The Director of Community Relations should identify types of causes that are controllable and provide specific feedback to prevent assumptions for rejections	Community Relations	Implemented	The Director of Community Relations has made an effort to communicate with most all rejected recipients to review reasons for their rejection. Some have not responded to the follow-up efforts.

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21	Community Investment Grants	Insurance requirements are not clearly outlined in the application. It is only when selected and applicants are provided with a grant agreement that the full insurance requirements are presented to the grantee.	The Deputy Executive Director of the Stakeholder Engagement Bureau and the Director of Community Relations should specify minimum insurance requirements with the Director of Risk Management on required insurance coverage to place in the application information. Specific examples should be identified, and potential information requirements should be communicated to grantees at the application stage.	Stakeholder Engagement	Implemented	Specifics on insurance requirements are shared once staff has sufficient details about the proposed event/program/project. Included with the notification of grant award, the applicant is provided with the insurance assessment that lists everything required for their specific program/project/event. We also provide clear instructions for KwikComply submittal and step-by-step follow up with Risk Management contact information for direct follow-up.
22	Clean Truck Fund Rate	The Port lacks verifiable data and policies and procedures to monitor the PortCheck contract	Environmental Management should document policies and procedures related to management of the CTF Rate. As part of these policies and procedures, Environmental Management should regularly corroborate the reliability of PortCheck's data with other sources (e.g., direct observation, alternative data sets).	Environmental Management	Not Implemented	Staff is currently working on the procedures/guidelines language and a method to corroborate the reliability of PortCheck data.
23	Clean Truck Fund Rate	PortCheck's expenses may technically meet contract requirements, however it charges duplicative management fees	Environmental Management should request a refund of \$155,421 from PortCheck for the management fees charged on top of Advent eModal's invoices.	Environmental Management	Implemented	Staff has had an initial meeting with PortCheck with POLB to discuss. Request had been issued to PortCheck. PortCheck has agreed to repay the \$155,421. POLA scheduling another meeting to confirm details of repayment and future invoicing.

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24	Clean Truck Fund Rate	PortCheck's expenses may technically meet contract requirements, however it charges duplicative management fees	Environmental Management should work with the City Attorney to amend the contract to restrict passthrough charges that provide negligible value (e.g., management fees when the contractor provides minimal management).	Environmental Management	Not Implemented	Will be incorporated in the next amendment. In the meantime, PortCheck understands POLA's stance on the restricting passthrough charges that provide negligible value.
25	Clean Truck Fund Rate	Based on our audit work, the design of PortCheck's internal controls appear to be effective; however, they are not documented	Environmental Management should require strong internal controls, which could be demonstrated by formal policies and procedures. Environmental Management should request and review these written policies and procedures from PortCheck.	Environmental Management	Not Implemented	POLA has requested a copy of the procedures from PortCheck.
26	Clean Truck Fund Rate	CALSTART has a user-friendly approach to providing vouchers but needs to adjust its process for leased trucks	The Environmental Management Division should modify the Scope of Work with CALSTART and the Voucher Request Form to require both truck purchasers and lessees to sign the form when a truck is leased	Environmental Management	Implemented	Voucher forms have been modified and approved by the Board on 2/13/2025 as part of CALSTART's 2nd Amendment. Has been incorporated into the online forms.
27	Clean Truck Fund Rate	CALSTART has a user-friendly approach to providing vouchers but needs to adjust its process for leased trucks	The Environmental Management Division should require CALSTART to verify that truck purchasers and lessees both sign the Voucher Request Form	Environmental Management	Implemented	Voucher forms have been modified and approved by the Board on 2/13/2025 as part of CALSTART's 2nd Amendment. Has been incorporated into the online forms.
28	Clean Truck Fund Rate	CALSTART has a user-friendly approach to providing vouchers but	The Environmental Management Division should review previous vouchers	Environmental Management	Implemented	CALSTART has gone back to review all past vouchers. CALSTART is working to have any lessees and truck purchasers sign the

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		needs to adjust its process for leased trucks	signed by lessees and require CALSTART to obtain any missing signatures from truck purchasers			new form if the lessee initially signed the paperwork.

Appendix B: Recommendation Listing from Prior to June 2022

#	Audit Title	Recommendation	Responsible Party	Implementation Status	IAD Follow-Up Notes
1	Marine Law Enforcement Training Center	The Harbor Department and MLETC should consider pursuing and/or supporting legislation that would make maritime law enforcement training and certification a requirement for officers that serve as crew members on a waterborne law enforcement vessel.	Port Police	Implemented	CA Penal Code 13515.5 now requires maritime officers meeting specified criteria to complete a course in basic maritime operations for law enforcement.
2	Marine Law Enforcement Training Center	MLETC management should: Develop a performance measurement framework that includes activity and outcome indicators. / Develop a performance metric monitoring system to begin tracking key performance indicators on an ongoing basis. Develop and present annual performance reports to Port Management and the Board of Harbor Commissioners	Port Police	Implemented	MLETC reports data on student completion to the Deputy Director of Public Safety, and submits data to LAPP OCOP for Dashboard matrices. The Board receives periodic updates from the Chief.
3	Marine Law Enforcement Training Center	MLETC should expand its participant evaluation form to provide the opportunity to provide feedback on individual MLETC instructors and should use this and other information to periodically evaluate instructor quality and effectiveness	Port Police	Implemented	MLETC instructor evaluations have been updated to include feedback on individual instructors.
4	Marine Law Enforcement Training Center	MLETC should work cooperatively and effectively with the Port's Contracts and Procurement Division to identify specific requirements for MLETC contracts and agreement and ensure they are	Port Police	Implemented	Port Police civilian staff members work closely with Contracts and Purchasing staff to clearly specify contract agreement language prior to items going out for bid. All procurements conducted by Contracts and Purchasing

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		developed and executed consistent with Port policies and procedures.			strictly follow Harbor Department and City guidelines and policies.
5	IEAS 2019	Track the date of staff performance evaluations and ensure that each employee receives an annual performance evaluation in a timely manner.	Human Resources	Implemented	In Jan 2024, the Executive Division provided the work instruction with a deadline for all division managers to provide completed evaluations by the end of March 2024.
6	IEAS 2019	Work with other POLA divisions to more accurately assess work that will be performed by the IT Division on capital projects for each budget year and identify and include amounts that will be recovered for such work in the IT Division budget, including a more accurate assessment of the Division's indirect costs to be charged to the Capital Budget.	Finance Division	Closed (Partly Implemented)	Finance has worked across the department to improve cost allocation processes. To assist with this process, they have implemented Oracle modules, but there is additional work to be done to ensure these costs are allocated for Port Police capital budgets. However, because the IEAS will be conducted this year, Internal Audit determined to close this recommendation pending any future IEAS recommendations.
7	Ports America	Implement processes to improve the accuracy of trash and sweeper fee remittances to POLA, including requiring Ports America to base estimated payments (if any) to be based on actual prior year charges to cruise lines, and that actual remittances to POLA are reconciled to actual billings to cruise lines on a periodic basis to ensure that Ports America pays 100 percent of all vessel charge fees to POLA as required in the Operating Agreement.	WCRED	Implemented	The proposed amended operating agreement with Ports America clearly delineates which vessel charges require Ports America to remit all fees collected to POLA and which allow for Ports America to retain the charges. The proposed amended agreement will also require biannual reconciliations of monthly reporting to ensure accuracy in remittance fee reporting.

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8	Ports America	Requires Ports America to report all revenues generated for gangway services and security services.	WCRED	Closed	WCRED disagreed with this recommendation when the audit was issued, because the audit mischaracterized these services and they are outside scope of the contract with Ports America.
9	Ports America	Implement improved internal controls and review procedures relating to Ports America's submittal of required reports (Forms J-1 and J-2) and fee remittances. This should include a review of Ports America's cruise line billings to ensure it remits 100 percent of all fees collected to POLA, and reconciling reported and remitted amounts to source documentation such as passenger manifests and Ports America's billings to cruise lines.	WCRED	Implemented	After the audit, there was a review of cruise line billings and a reconciliation with Port fee remittances. Procedures have been revised in the proposed contract amendment, so there is a bi-annual reconciliation based on Ports America billings.
10	Parking Concepts, Inc.	POLA's legal counsel should initiate efforts to amend the contract to clarify requirements that specify whether all parking shuttles need to be operable.	WCRED	Closed	Shuttle services have increased significantly since the audit because of growing cruise passenger volumes and the need to park passengers at remote parking lots. PCI has provided this service effectively through existing shuttles and hiring motor coaches to address passenger volume needs. WCRED contends that the number of operable shuttles is irrelevant if the service is provided effectively. Internal Audit agrees.
11	Parking Concepts, Inc.	POLA's Real Estate Division should document routine inspections of PCI parking lots and record PCI compliance with operations and maintenance requirements.	WCRED	Implemented	Quarterly inspections are now routine.

