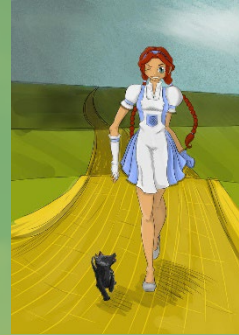


**THE PORT
OF LOS ANGELES** LA

America's Port

The Journey of the Internal Auditor

Audit Committee
September 7, 2023



INTERNAL AUDIT – Where have we been

RECAP – Where we've been & our reporting

- October – New IA Director
- December AC Meeting – Shared the Vision, Mission Statement, Goals
- March AC Meeting – Shared COSO Framework, Risk Assessment, Audit Plan
- April – Internal Auditor III started
- May AC Meeting – Discussed the Past (Recommendations)



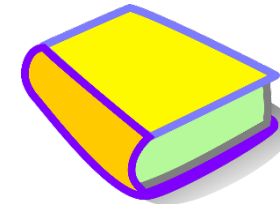
THE JOURNEY CONTINUES

This AC Meeting – The Sights Along the Road



1. Status of the Division

- Staffing – Steelman, Howe, Davila
- Five audit consulting contracts, 1 to be amended
- Implementing “Yellow Book” audit standards



2. Looking in the Rear-View Mirror



3. Audit Plan with Minor Revisions



4. Mapping out the Audit Work

STATUS OF THE DIVISION

PROFESSIONAL EXPECTATIONS

- Audit Standards— objective work papers containing irrefutable evidence; Goal is to be compliant with Generally Accepted Government Auditing Standards (GAGAS, aka: Yellow Book)
- Consultant Pool – mostly management consultants, too small – 5 consultants, adding 5 more consultants and another professional staff auditor
- Report Changes
 - Actionable recommendations that are followed up on
 - Buy-in from the audited party
 - Provide opportunity to add a response in the report
- **Be Relevant**



KEY AUDIT STANDARDS

1. Staff and consultants are **technically proficient**
2. **Independence**, even in appearance
3. Exercises **professionalism** – confidentiality, demeanor
4. **Well-developed planning** process that includes proper staffing & consideration of fraud, legal proceedings, prior related audits, documentation
5. Obtains and maintains objective **audit evidence** in work papers
6. Reporting is clear and provides sufficient background and rationale, is **factual**, without conjecture
7. Audits provide recommendations that are **relevant** and thoughtful

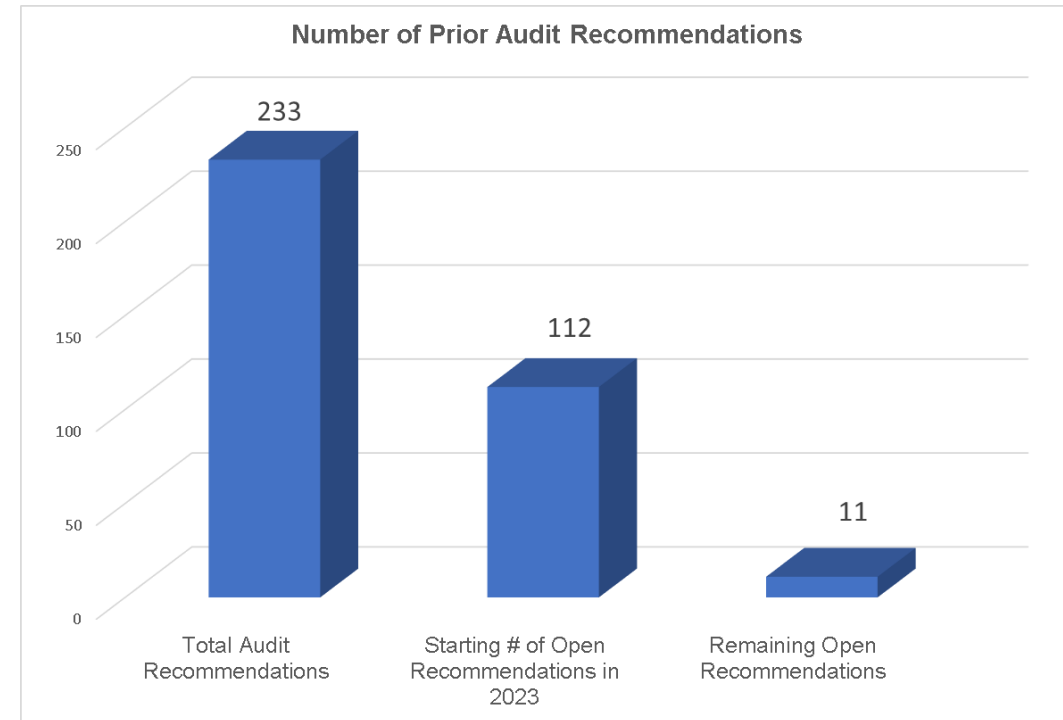
AUDIT RECOMMENDATIONS – Looking in The Rear View Mirror



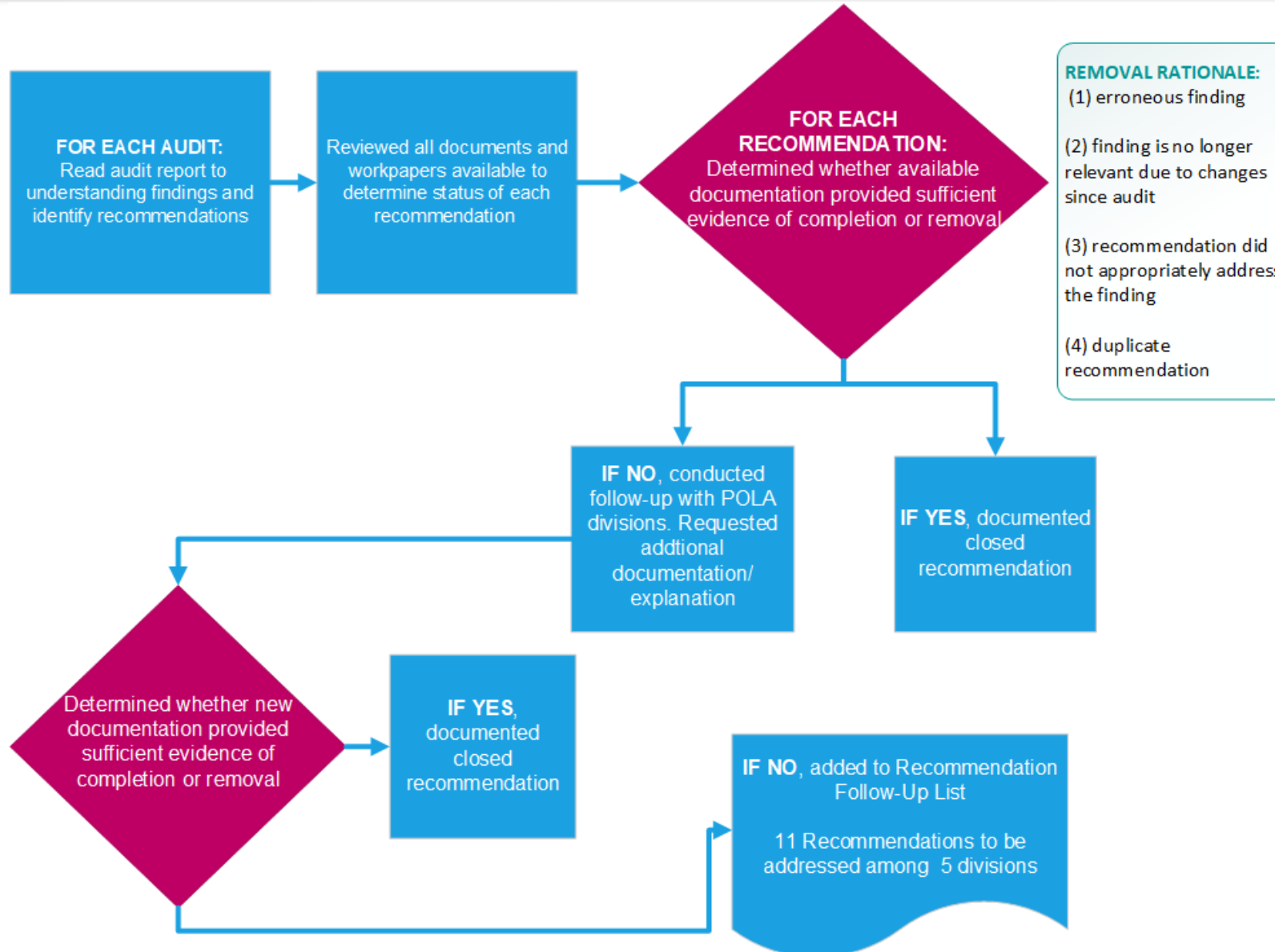
- 39 audits from FY16 – FY22
- 11 audits had open recommendations (initially 233, with 112 still not addressed)



- Review project led by Howe determined that only 11 recommendations from 4 audits still need follow up



THE CLEAN-UP PROCESS



OPEN AUDIT RECOMMENDATIONS

Eleven recommendations from the following audits are still open:

1. Marine Law Enforcement Training Center (FY17) –
4 recommendations
2. Industrial, Economic, and Administrative Survey (FY19)
from the Controller's Office – *2 recommendations*
3. Ports America (FY21) – *3 recommendations*
4. Parking Concepts, Inc. (FY22) – *2 recommendations*

The 11 outstanding recommendations are listed as an appendix to this document.

EVALUATING RECOMMENDATIONS

11 Remaining Audit Recommendations

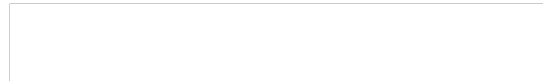
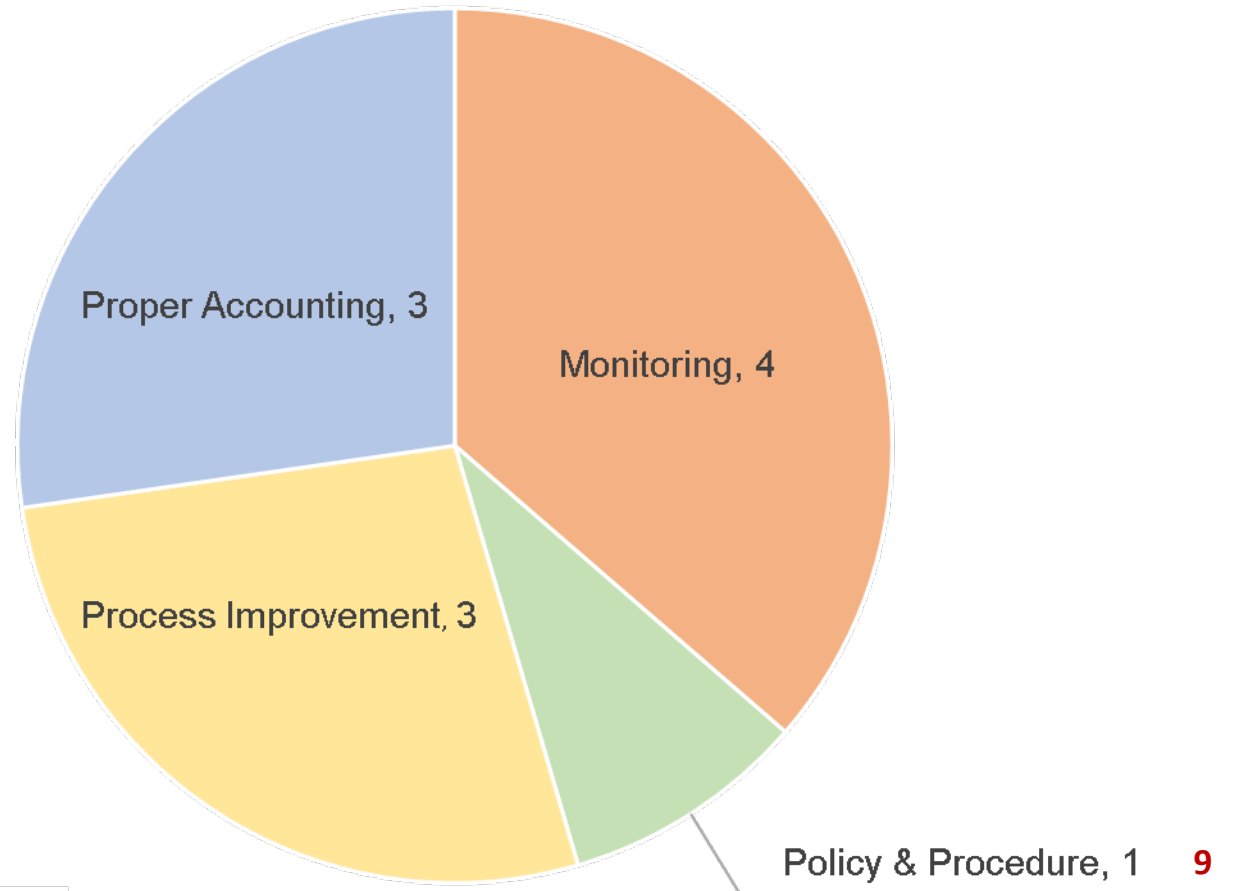
Recommendation Categories

Policies & Procedures
Proper Accounting
Monitoring
Process Improvement

Divisions Responsible

Port Police
WCRED
HR
Legal
Accounting

Recommendation Categories



PREVENTING THE BACKLOG

- ✓ Involve the Division in determining actionable and accurate recommendations
- ✓ Emphasize Quality Recommendations, not Quantity (averaged 21 recommendations)
- ✓ Heightened oversight of audit consultants
- ✓ Developing policy and procedure with follow-ups established for 60, 90 & 120 days with escalation



ENGAGEMENTS STARTED IN FY23



Lane Victory – Fieldwork stage, Steelman completing lease compliance review begun by consultant

PBF Energy – to be performed by Sjoberg Evashenk, starting late October



Warehouses – Fieldwork stage, just toured last warehouse*
Advisory work by Steelman

CRAFTED at the Port of LA –
Fieldwork stage, Howe



AUDIT PLAN



THREE YEAR AUDIT PLAN - APRIL, 2023 - MARCH, 2026											
#	Project Name	Est Start	In-House			Consultant			TOTAL		
			Steelman	Howe	TOTAL	Steelman	Howe	TOTAL	Steelman	Howe	TOTAL
23-004	CRAFTED	6/26/2023		X						X	
23-001	Warehousing	6/26/2023	X						X		
23-003	Lane Victory - Complete audit by CRG	6/26/2023	X						X		
	Number of Projects Started in FY23		2	1	3	0	0	0	2	1	3
24-007	Leasing Policies & Guidelines Review	8/7/2023	X						X		
24-003	Wharfinger Process	9/11/2023		X						X	
23-002	PBF Energy Permit Compliance	10/23/2023				X			X		
24-004	Mandatory Trainings Review	10/30/2023		X						X	
24-010	Constr. & Maintenance - Staffing / Organization	11/6/2023					X			X	
24-006	Apprenticeships	11/6/2023	X						X		
24-002	WWL Permit Compliance	1/8/2024					X			X	
24-009	Grant Policies	2/5/2024		X						X	
24-005	Workers' Compensation	3/11/2024	X						X		
24-008	Clean Truck / Port Check	4/8/2024		X						X	
24-001	Constr. Contracts & Admin. (Costs Monitoring)	5/13/2024				X			X		
	Number of Projects Started in FY24		3	4	7	2	2	4	5	6	11
25-001	Internal Services Billings	tbd				X			X		
25-002	Procurement Outreach	tbd					X			X	
25-003	SA Recycling	tbd					X			X	
25-004	Cal Pacific Contract	tbd		X						X	
25-005	Automation of Ancillary Needs	tbd		X						X	
25-006	Jankovich / Successor tenant	tbd		X						X	
25-007	Sponsorships & Memberships	tbd		X						X	
25-008	Succession Planning	tbd	X						X		
	Number of Projects Started in FY25		1	4	5	1	2	3	2	6	8
26-001	Community Investment Grants	tbd				X			X		
26-002	Fenix Permit Compliance	tbd					X			X	
26-003	Rail Contract /Switcher	tbd					X			X	
26-004	California Yacht Marina	tbd	X						X		
26-005	Praxair, Inc.	tbd		X						X	
26-006	SSA Pacific, Inc.	tbd		X						X	
	Number of Projects Started in FY26		1	2	3	1	2	3	2	4	6
TOTAL NUMBER OF PROJECTS STARTED IN 3 YEARS			7	11	18	4	6	10	11	17	28

AUDIT SCHEDULE & ASSIGNMENTS



PORT OF LOS ANGELES Planning	LEGEND				Staff Time	Consultant Time
	STEELMAN / IN-HOUSE	HOWE / IN-HOUSE	STEELMAN / CONSULTANT	HOWE / CONSULTANT		
Project & Milestone	Assigned To / Notes	Start	End	# Weeks	Staff Time	Consultant Time
CRAFTED #23-004	HOWE	6/26/2023	10/13/2023	16	300	0
WAREHOUSING #23-001	STEELMAN	6/26/2023	10/6/2023	15	80	0
LANE VICTORY #23-003	STEELMAN, using some CRG work	6/26/2023	10/13/2023	16	100	0
LEASING POLICIES #24-007	STEELMAN	8/7/2023	9/29/2023	8	80	0
WHARFINGER #24-003	HOWE w/Student Worker	9/11/2023	10/27/2023	6	80	0
PBF ENERGY #23-002	Consultant - Sjoberg Evashenk Steelman - Lead	10/23/2023	4/12/2024	25	50	485
MANDATORY TRAININGS #24-004	HOWE	10/30/2023	2/2/2023	14	100	0
CONST & MAINT-STAFF/ORG #24-010	Consultant - TBD, Howe - Lead	11/6/2023	3/8/2024	18	40	400
APPRENTICESHIPS #24-006	STEELMAN	11/6/2023	1/26/2024	12	100	0
WWL PERMIT #24-002	Consultant - TBD, Howe - Lead	1/8/2024	5/24/2024	21	50	550
GRANT POLICIES #24-009	HOWE	2/5/2024	5/17/2024	15	320	0
WORKERS COMP #24-005	STEELMAN	3/11/2024	6/14/2024	14	120	0
CLEAN TRUCK #24-008	HOWE w/POLB	4/8/2024	7/19/2024	15	400	0
CONSTR CONTR & ADMIN #24-001	Consultant - TBD, Steelman - Lead	5/13/2024	8/30/2024	16	50	550

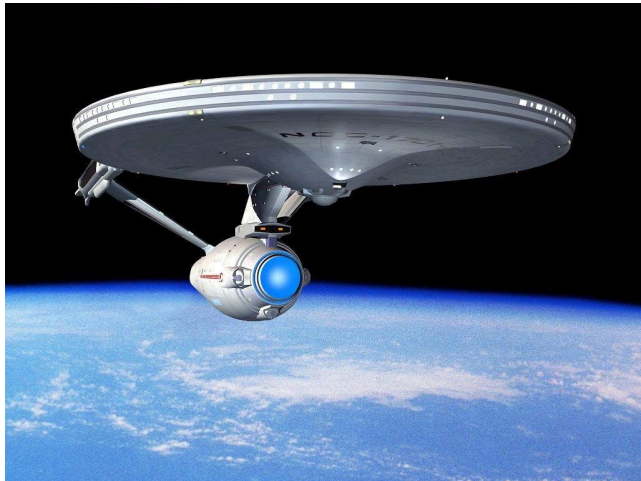
AUDIT GANTT CHART



PORT OF LOS ANGELES													
Planning		JULY	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUNE
Project & Milestone		7 #	5 # # #	2 9 # #	7 # #	4 # # #	1 8 # # #	6 # # #	2 9 # #	1 8 # # #	5 # # #	3 # # #	7 # # #
CRAFTED													
#23-004													
WAREHOUSING													
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#24-009													
WORKERS COMP													
#24-005													
CLEAN TRUCK													
#24-008													
CONSTR CONTR & ADMIN													
#24-001													

INTERNAL AUDIT THE JOURNEY FORWARD

- ✓ We are **BOLDLY** going where **NO** Audit Group has gone before*



- ✓ Fully Staffed
- ✓ Large Contract Pool
- ✓ Audits, Reviews, Consulting Engagements
- ✓ Focused and Actionable Recommendations

* Disclaimer: no real research was done on this claim and it may be totally false. And yes, we leverage best practices from other internal auditors.

INTERNAL AUDIT THE JOURNEY FORWARD

- ✓ Audit Manual that documents Policies & Procedures
- ✓ Reviewing & Updating Audit Plan, as needed
- ✓ Improved Risk Assessments (eventually an Enterprise Risk Assessment)
- ✓ Available for Consultation on Controls (ERP)
- ✓ With increased staffing, we could assist with annual audit or controls testing
- ✓ Ready for a Peer Review

THE END

(but just the beginning of great things)

Thank you, please submit any requests or suggestions as we strive to align to Port's strategic goals and move forward in our mission.

Barbara, Sonja & David



APPENDIX A – Audit Recommendations

#	Audit Title	Recommendation	Category	Responsible Party	IA Notes
1	Marine Law Enforcement Training Center (FY17)	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.	Process Improvement	Port Police	The new Audit Division has not discussed this with Port Police yet.
2	Marine Law Enforcement Training Center (FY17)	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.	Monitoring	Port Police	The new Audit Division has not discussed this with Port Police yet.
3	Marine Law Enforcement Training Center (FY17)	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.	Process Improvement	Port Police	The new Audit Division has not discussed this with Port Police yet.
4	Marine Law Enforcement Training Center (FY17)	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 developed and executed consistent with Port policies and procedures.	Policy & Procedure	Port Police	The new Audit Division has not discussed this with Port Police yet.

APPENDIX A – Audit Recommendations

#	Audit Title	Recommendation	Responsible Party	IA Notes
5	IEAS 2018 (FY19)	Track the date of staff performance evaluations and ensure that each employee receives an annual performance evaluation in a timely manner.	Human Resources	Division provided copies of evaluation forms and a memo from CFO regarding evaluations <1.2b-2> - <1.2b-7>. Auditor requested additional evidence of the process by which evaluations due dates are determined/monitored. 6/16/23 SLH
6	IEAS 2018 (FY19)	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	Per email exchange, Finance did not receive direction regarding this recommendation, thus no action to close the recommendation has occurred. 6/16/23 SLH
7	Parking Concepts, Inc. (FY22)	POLA's legal counsel should initiate efforts to amend the contract to clarify requirements that specify whether all parking shuttles need to be operable.	Legal	Per action plan, "...when needed, operable parking shuttles are provided by CPI." This statement does not seem to clarify or add context to whether the recommendation has been completed. Need to determine what objective this relates to/review audit report.
8	Parking Concepts, Inc. (FY22)	POLA's Real Estate Division should document routine inspections of PCI parking lots of record PCI compliance with operations and maintenance requirements.	WCRED	Per the Action Plan, Real Estate will perform routine biannual inspections.

APPENDIX A – Audit Recommendations

#	Audit Title	Recommendation	Responsible Party	IA Notes
9	Ports America (FY21)	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	Per report action plan, WCRED will negotiate revised operating agreement that will expressly and clearly delineate which vessel charges require Ports America to pay 100 percent of all vessel fees to POLA and which vessel charges items allow for Ports America to retain some portion of vessel charges remitted by cruise lines. In progress. This is expected to be addressed on the 5th Amendment which is currently in the final draft stage. See <11.2b> t/m c
10	Ports America (FY21)	Require Ports America to report all revenues generated for gangway services and security services.	WCRED	In progress. This is expected to be addressed on the 5th Amendment which is currently in the final draft stage. See <11.2b> t/m d.
11	Ports America (FY21)	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	Per the report action plan, WCRED was to negotiate a revised operating agreement which would expressly and clearly delineate which vessel charges require Ports America to pay 100 percent of all vessel fees to POLA, and which vessel charges items allow for Ports America to retain some portion of vessel charges remitted by cruise lines. In progress. This is expected to be addressed in the th Amendment which is currently in the final draft stage. See <11.2b> t/m f.