



INDUSTRIAL-ECONOMIC-ADMINISTRATIVE SURVEY (IEAS) AUDIT SUMMARY OVERVIEW

Audit Scope The IEAS is a required performance audit of each proprietary Department every five years. Jointly administered by the Mayor, City Council, and the Controller, with input from the Department, the audit covers (a) competitiveness, marketing and customer relationships, (b) staffing and human resource management, and (c) financial management and fiscal responsibility.

Audit Timeline January 2010 – June 2011 (Presented to Audit Committee August 18, 2011)

Recommendation Summary (these are summarized into nine overall categories):

1. Improve strategic planning by updating competitive and other risks facing POLA and continuously monitor progress. Develop a marketing plan to work with cargo owners, and reorganize the Marketing Division to clarify its roles and responsibilities.
2. Work to revise POLA's governance structure within the City to gain efficiencies. Establish procedures for California Environmental Quality Act (CEQA) appeals.
3. Tie staffing to underlying activity levels and monitor payroll costs regularly. Align hiring of new staff to budget targets and justify need for increases. Create POLA-specific job classes for marine-related work to retain staff. Establish procedures to regularly monitor overtime and investigate excess use.
4. Determine the appropriate size of the Construction and Maintenance Division and the Port Police Division to meet POLA's needs (latter audit being presented on 4-18-13).
5. Develop policies for providing non-core services using both internal and external staff. Succession planning will help minimize the impact of staff retirements, ie. lost capabilities, and assure operations continue to operate smoothly.
6. POLA management should review all capital projects to assess future scope and costs and provide to the BOHC to review. Prohibit change orders for work unrelated to defined scopes. Align operating budget and Capital Improvement Projects (CIP) costs to strategic objectives.
7. Ensure that vendor selections for professional service projects comply with City policies. Fully-burdened labor rates should be used to establish reasonable contractor fees prior to contract execution. POLA's Construction Division should compile independent cost estimates to evaluate change orders against and should document cost analyses.
8. Assess cost reasonableness for sole-source procurements and justify all non-competitive bid processes. Develop procedures to formalize the City Attorney's review/approval of all sole-source Executive Director-level agreements.
9. Develop and implement a non-profit leasing policy to ensure tenants comply with POLA's mission and meet the terms of their permits.

Overall Status POLA has completed 24 (83%) of the 29 recommendations. Of the remaining five, three are in process of implementation and two are on-going, namely, their implementation will be a long-term process. POLA remains committed to implementing all the recommendations. We will proactively continue to provide regular updates to the City Controller as to status.

HARBOR DEPARTMENT IEAS IMPLEMENTATION REPORT

Legend: C=Complete, I=In Process, O=Ongoing

Item #3a - IEAS

Report Page	Recommendation	Staff Assigned	Status	Implementation Action	Anticipated Completion Date
12-13	1.1 Update Strategic Plan a) Address competitive pressures, decision processes, and associated risks facing POLA. a) Include stakeholders b) Monitor plan c) Coordinate with railroads and cruise lines to maximize efficiency and capacity d) Educate Legislative Reps. e) Brief Port Industry	DED Ops/ DED Business	C	2011/12 draft Strategic Plan has been completed. As proposed, it will address all major strategic issues. BOHC approved Strategic Plan April 2012.	Completed
13-15	2.1 Develop Strategic Marketing Plan and market to Beneficial Cargo Owners (BOC's). a) Develop a Mission b) Develop metrics c) Perform SWOT analysis d) Develop strategies and action plans	DED Business	I	Marketing customer survey results under review. These will be considered in developing POLA's strategic business development plan. The strategic marketing plan will be consistent with the POLA strategic plan.	April 30, 2013
15-16	3.1 Reorganize Marketing Division into three divisions and clarify the roles and responsibilities for each. a) Marketing Division - research b) Sales and Customer Service Division c) Trade Facilitation Division - import/export	DED Business	C	Reorganization completed. The three former Divisions have become two - Business Development and Trade Development. DEDB will continue to review and organize the Division as appropriate, taking into consideration the audit recommendation and Department needs. The customer service account management is now online as of 3/15/13.	Completed
16	4.1 Review and revise Department's governance structure to gain greater efficiencies. For example, improve the length of time taken to obtain City Council approvals.	All DED's. Lead: DED Finance	C	Per the City Charter, POLA can recommend improvements in CLA and City Atty review processes. Some of this recommendation is beyond POLA's influence to change.	Complete
17	5.1 Establish procedures for CEQA appeals to the City Council.	DED External	C	Ordinance pending review and approval with the City Council.	Complete
17	6.1-6.2 Tie staffing to activity levels or benchmarks and monitor regularly. a) Use benchmarks and fiscal controls such as Managed Hiring Process to monitor costs and funding positions.	All DED's Lead: DED Finance	C	This is in place now as part of the overall fiscal program of the Department.	Completed

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17	7.1-7.2 Continue "Request to Fill" process. a) New position requests should align with fiscal year budget and staffing targets and include a business justification of need.	DED Finance	C	All position requests are aligned with fiscal year budget and staffing targets.	Completed
17-18	8.1 Determine appropriate size of C&M Division to fit Departments needs.	DED Ops	C	An audit was done of C&M Division and staffing. Tool in place to align workload and staffing.	Completed
18	9.1 Determine Port Police staffing needs.	DED Ops/ DED Finance	C	An audit of Port Police staffing needs was completed Feb 2013	Completed
18	10.1-10.3 Establish policies and procedures to monitor and report overtime use. a) Establish overtime reporting standards. b) Regularly monitor overtime use and investigate excessive use.	HR and All DED's	I	Policy will be updated and communicated to staff and managers. Overtime usage reports are sent regularly to Seniors by HR to maintain oversight. Seniors desire to commence quarterly reporting.	April 30, 2013
19	11.1 Develop policies and procedures for providing non-core services using internal and external staff resources.	DED Finance	C	Policies and procedures already in place which address this.	Complete
19	12.1 Create Harbor Department specific job classes to recruit and retain staff for marine-related environmental and engineering work.	HR and All DED's	O	The Department is working with the Personnel Department to address. It is anticipated that this will be a long-term process and will require policy-level decision-making.	On-going
19	13.1-13.2 Develop succession plan to minimize impact of retirements and lost capability and assure smooth transition. a) Limit number of eligible executive management positions that participate in early retirement programs to reduce impact on Department.	DED Finance	O	HR will continue to work with Department management to address. While redundancy is good, civil service employment testing impacts effective succession planning.	On-going
19-20	14.1-14.3 Provide performance evals to all employees a) HR to review, track, and enforce compliance b) Supervisors provide comments to support eval ratings, suggest improvements, and provide goals.	DED Finance	C	Policy and procedure in place.	Completed
20	15.1 Management reviews all projects including future scope and cost requirements.	DED Development/ DED Business	C	A specific process has been established that provides oversight by the Project Development Committee (PDC) of all Capital Projects. The PDC is co-chaired by the directors of Business Development and Development. DED Development providing overview and policy to address.	Completed

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20	16.1 BHC reviews scope, cost, and schedule changes for capital projects.	DED Development	C	Procedure implemented to address. Capital projects to be reviewed and approved by the Audit Committee and BHC.	Completed
20	17.1-17.2 Review selection procedures for Construction, Environmental, and Engineering professional service contracts to ensure compliance with City Attorney Code S.4526 and S.4528. a) Use fully burdened labor rates to establish fair and reasonable contractor fees prior to award of contract.	DED Development	C	Professional/personal services are selected based on a qualification-based competitive selection process. Labor rates on professional/personal services are (and always have been) fully burdened. Construction contracts are based on low bid.	Completed
20	18.1 Prohibit change orders for work unrelated to contract scope.	DED Development	C	Change orders will be tied to contract scope and will be approved by appropriate management and the BOHC.	Completed
21	19.1-19.2 Revise Construction Procedures Manual to require independent cost estimates be made for evaluating change orders and require cost analysis and negotiation results be documented on contract files a) Require contractors' proposed rates be based on prevailing wages/fringes/taxes or actual costs, which ever is greater.	DED Development	C	Current Construction Procedures Manual conforms to this recommendation. However, on an on-going basis the Department will review, revise, and update manual as appropriate.	Completed
21	20.1-20.2 Align operating budget and CIP project expenditures to strategic objectives.	DED Finance	C	Addressed as part of budget and Strategic Plan.	Completed
21	21.1-21.2 Financial system should reject over-budget transactions. a) Explore a cost effective interim fix to current financial system.	DED Finance	C	New ERP system implemented October 2012.	Completed
21-22	22.1-22.4 Provide accurate and timely budget info accessible to users. a) Financial system should interface general ledger and budget data on real-time or daily basis. b) Financial system should address the needs of its users. c) Assess the need for interim fix to current financial system.	DED Finance	C	New ERP system implemented in October 2012. Budget data is interfaced real-time in the Oracle financial system. Additional training will be given to ensure all users' needs are met.	Completed
22	23.1-23.3 Provide regular ethics training to employees in fiduciary or disbursement capacities. a) Develop policies and procedures to formalize practice of City Attorney reviewing/approving sole source Executive Director agreements. b) Provide annual report of Executive Director professional services agreements to BHC.	DED Finance and City Attorney	C C	City policy mandates ethics training, which is provided on a regular basis. a,b) Procedures in place to address sole source agreements. BOHC receives annual reports on contracting - DEDFA to provide.	Completed Completed

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22	24.1	Require cost reasonableness info for sole source contracts and amendments and justification(s) for using a non-competitive bid process.	DED Finance	C	Required as part of the contracting process.	Completed
22-23	25.1-25.2	Audit Manager should report functionally to BHC Audit Committee and administratively to Executive Director.	DED Finance	C	Departmental Audit Manager reports functionally to the BHC Audit Committee. Audit manager to continue to report to the Chief Financial Officer.	Completed
23	26.1	Find new and diverse revenue sources.	All DED's	C	POLA management continuously reviews possibilities. For example, BOHC Audit Committee suggested oil-drilling in June, 2012 and POLA has retained a consultant to study oil recovery options.	Completed
23	27.1	Develop/implement a non-profit leasing policy to ensure non-profit tenants comply with the Port's mission and are meeting the terms of their lease.	DED Business Development	I	Department will periodically update policy. DEDBD will discuss guiding principles with Executive Director. The RED will inspect sites annually to verify tenant compliance.	June 30, 2013
23	28.1	Maintain current financial reserve policies.	DED Finance	C	Policy is in place.	Completed

C = 24 DED = Deputy Executive Director

I = 3 POLA = Port of Los Angeles

O = 2 POLB = Port of Long Beach

SWOT = Strengths, Weaknesses, Opportunities, and Threats

HR = Human Resources

C&M = Construction & Maintenance

BHC = Board of Harbor Commissioners

CEQA = California Environmental Quality Act

ERP = Enterprise Resource Planning

CIP = Capital Improvement Program