



AUDIT COMMITTEE

Report to the
Board of Harbor Commissioners

Item #1

DATE: AUGUST 11, 2014

TO: AUDIT COMMITTEE OF THE BOARD OF HARBOR COMMISSIONERS

SUBJECT: AUGUST 21, 2014 AUDIT COMMITTEE MEETING MATERIALS – AUDIT STRATEGY UPDATE

These two agenda items are transmitted to the Audit Committee in response to discussions from the June 19, 2014 Audit Committee meeting:

1. Audit Plan Status Report – this summarizes current performance audits, tenant compliance audits, process audits, and implementation plans/follow-ups.
2. Divisions' Risk Assessment Rankings – this summarizes the Harvey Rose process audit risk assessment of Harbor Divisions.

EUGENE D. SEROKA
Executive Director

Attachments:

Transmittal 1: Audit Plan Status Report – July FY2014-15

Transmittal 2: Divisions' Risk Assessment Rankings

Audit Plan Status Report -- July FY14 -15
(schedule changes since June report noted in red)

	Audit Topic	Firm Selection Date	Initial Survey Completion	Initial Draft Due Date	Final Report Due	Status	Comments
Performance Audits	Recreation & Parks City Services interdepartmental billings	Moss Adams	6/9/2014	8/31/2014	9/20/2014	Moss Aams pressing auditee to obtain information to finish audit.	Delays due to Recreation & Parks not supplying information, but Moss Adams striving to resolve and maintain schedule. Preliminary findings include unsupported and questioned costs.
	Petty Cash	Internal Auditor	6/17/14	7/17/14	8/15/14	Initial draft completed. Final report anticipated as scheduled.	Preliminary findings: control weaknesses, elimination of one fund due to inactivity, and another fund out of balance.
	Change Order Process	Internal Auditor	5/30/14	8/6/14	8/26/14	Initial draft completed. Final report anticipated as scheduled.	Preliminary findings: lack of justification for changes, multiplicity of changes on same date, change amounts just below budget thresholds.
	Employee Club/A-Team	Internal Auditor	7/24/14	8/8/14	8/14/14	Initial draft completed. Final report anticipated as scheduled.	Findings include some weak internal controls
	Non-profits' permit compliance	Internal Auditor	9/30/14	11/30/14	12/31/14	Initial planning	
	EMD technical services (Environmental Management Division)	9/30/14	10/25/14	2/15/15	3/15/15	Initial planning	Survey postponed 30 days as scope is being refined, working with EMD and researching similar audit programs.
	MLETC (Maritime Law Enforcement Training Center) Operations	11/30/14	1/31/15	4/15/15	5/31/15		

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Audit Topic	Firm Selection Date	Initial Survey Completion	Initial Draft Due Date	Final Report Due	Status	Comments
San Pedro Waterfront	Bazilio	2/28/2014	5/9/2014	6/30/2014	Final report draft received 7-30-14. Management is reviewing and we are scheduling an exit meeting with the customer.	City Attorney requested additional testing of delinquent rents. Auditors' fieldwork was delayed by slow subtenant response, but 75% of them eventually provided feedback. Findings include delinquent rent, lack of tenant agreements, poor accounting practices, and lack of controls.
California Yacht Marina	Internal Auditor	5/16/2014	8/12/2014	8/28/2014	Initial draft completed. Final report anticipated as scheduled.	
Eagle Marine	Internal Auditor	8/27/14	9/30/14	10/15/14		
San Pedro Fish Market	Internal Auditor	9/17/14	10/30/14	11/15/14		
Wilmington Marine	Internal Auditor	8/29/14	9/30/14	10/20/14		
Holiday Harbor	Internal Auditor	10/20/14	12/5/14	12/19/14		
Jankovich	Internal Auditor	12/5/14	12/31/14	1/20/15		
Lighthouse Yacht Landing	Internal Auditor	2/20/15	4/15/15	5/15/15		
Pacific Yacht Landing	Internal Auditor	1/31/15	3/10/15	3/31/15		
Parking Concepts	Internal Auditor	4/20/15	6/20/15	6/30/15		

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	Division	Firm Selection Date	Initial Survey Completion	Initial Draft Due Date	Final Report Due	Status	Comments
Process Audits	Wharfingers	Harvey Rose	5/28/2014	8/14/2014	8/29/2014	Initial draft completed. Final report anticipated as scheduled.	Preliminary findings: Good operation with adequate internal controls.
	Information Technology		5/28/2014	9/10/2014	9/20/2014	On track for initial drafts.	
	Port Police		5/28/2014	9/30/2014	10/31/2014	On track for initial drafts.	
	Goods Movement/Grants		5/28/2014	9/30/2014	10/15/2014	On track for initial drafts.	
	Port Pilots		9/30/2014	12/15/2014	1/15/2015		
	Construction & Maintenance		11/30/2014	2/15/2015	3/15/2015		
	Contracts/Purchasing		10/30/2014	12/15/2014	1/20/2015		
	Debt/Treasury		1/31/2015	2/28/2015	3/15/2015		Survey postponed due to complexity of concurrent audits
	Accounting		2/20/2015	5/15/2015	5/31/2015		
	Construction		2/28/2015	4/30/2015	5/15/2015		
	Real Estate		5/20/2015	6/30/2015	7/20/2015		Survey postponed due to complexity of concurrent audits
	Engineering		5/31/2015	7/30/2015	8/20/2015		

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		Audit Topic	Type	Start	End	Comments
Audit Implementation Follow-Ups		Fire City Services billings (LA Fire Department - LAFD)	Financial	8/18/2011	12/31/2014	58% of recommendations completed. Progress slowed by LAFD personnel turnover and slow responses. Audit Manager working with LAFD to expedite progress. Status report from LAFD due back 8-29-14.
		IEAS	Performance	8/18/2011	6/30/2015	90% of recommendations completed. Three of 29 (10%) remain, re: succession planning, Harbor-specific job classes, and strategic marketing plan.
		Port Electrical Safety	Performance	6/27/2013	3/31/2016	Risk Management and Mgmt Audit monitoring progress on implementation of 140 open recommendations. C&M providing updates.



Divisions' Risk Assessment Rankings (High-Medium-Low)

Division	Score	
Construction		
Construction & Maintenance	68-84	
Engineering	84	High
Environmental Management		
Port Police/Homeland Security		
Accounting		
Contracts/Purchasing		
Debt/Treasury		
Executive Office		
Financial Management	56-63	
Human Resources	63	Medium
Information Technology		
Port Pilots		
Risk Management		
Business Development		
Commission Office		
Goods Movement/ Grants Admin		
Government Affairs	25-55	Low
Graphics Services	55	
Management Audit		
Media Relations		
Planning/Economic Development		
Public Relations		
Real Estate		
Wharfingers		