

Internal Audit Department Risk Assessment Approach



- ✓ Reviews organization structure, changes, processes
- ✓ Inventory new/old initiatives, projects, etc

- ✓ Review prior audit coverage
- ✓ Assess the status of prior audit issues
- ✓ Identify emerging issues

- ✓ Determine
 - Likelihood
 - Impact
 - Risk Scoring
- ✓ Assess Available Audit Resources
- ✓ Set priorities

- ✓ Conduct comprehensive data analytics involving revenues and expenses
- ✓ Identify risks based on past and current financial performances

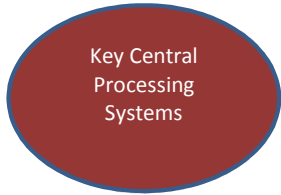
- ✓ Conduct risk interviews with various key leaders across the Port
- ✓ Obtain risk assessments from management perspectives
- ✓ Identify emerging issues

GENERATES

INTERNAL AUDIT WORK PLAN

Internal Audit Department

Risks, Audit Universe, and Auditable Units Coverage



- ✓ Reviews of systems common to multiple Port operational units
- ✓ Audit Units
 - accounts payable
 - payroll
- ✓ Prior Audit Coverage
 - payroll
 - accounts payable
 - receivable
 - asset management



- ✓ Reviews of Individual operating unit reviews
- ✓ Audit Units
 - Fire Dept
 - Police
 - Aviation Maintenance
- ✓ Prior Audit Coverage
 - Ground Transportation
 - Airport Public Parking
 - Aviation Maintenance
 - Marine Maintenance



- ✓ Reviews of Lease and Concession agreements
- ✓ Audit Units
 - Individual agreements
- ✓ Prior Audit Coverage
 - CTA
 - Avis Rent-A-Car
 - Host International
 - Anthony's



- ✓ Reviews of 3rd party management agreements
- ✓ Audit Units
 - Individual service agreements
- ✓ Prior Audit Coverage
 - WTCS
 - BHICC



- ✓ Reviews of Port or Division wide functional activity
- ✓ Audit Units
 - Port wide operational issues/concerns
- ✓ Prior Audit Coverage
 - Fleet Management
 - Aviation Division overtime practices
 - P-card administration



- ✓ Reviews of critical Port IT infrastructure
- ✓ Audit Units
 - general and application controls
 - data security
- ✓ Prior Audit Coverage
 - No audit specific coverage in prior years
 - will begin specific coverage based on the results of the Enterprise and Risk Assessment in 2012



- ❖ ASSURANCE
- ❖ CONTINUOUS IMPROVEMENT
- ❖ ACCOUNTABILITY
- ❖ EFFICIENCY
- ❖ EFFECTIVENESS

ATE: November 13, 2012

TO: Audit Committee

FROM: Joyce Kirangi, Internal Audit Director

SUBJECT: Summary of Suggested 2013 Audit Projects Based on Risk Survey of Key Port Leadership

Internal Audit conducts a variety of procedures to prepare its annual risk assessment. Included are a series of interviews with key Port leaders across five divisions to obtain management perspectives on the current business environment and to assess risk landscape in their respective responsibility areas and for the Port as a whole. Specifically, the following two questions were posed to each interviewee:

1. What risks do you see in your area to which Internal Audit can add value through an independent and objective review?
2. Considering the Port as a whole, what areas (e.g., systems, processes, activities, departments, etc.) do you see risks of negative impact?

We began the process early October and have recently completed the interviews. We held interviews with approximately fifty senior leaderships across the Port who understands Port business to include all Division Directors, Chief Financial Officer, Chief of Staff, and CEO.

The following activities are not all-inclusive, but represent common areas of suggested 2013 or future audits.

They are not listed in any order of importance.

- Lifecycle of purchases below \$20,000 from acquisition to disposal or surplus
- Small federal grants administration (e.g., cost allocation, supplemental compliance requirements)
- Continue to cycle rental and concession agreements
- Payroll processes at Police and Fire Department
- Airport public parking
- Issues related to fleet such as the cost of regular lube & oil and vehicle titles
- Airport Federal Inspection Services (FIS) revenues
- Port Jobs contract review before expiration
- Review of Port's small business program (Small Contractors and Suppliers) for effectiveness
- Review process of declaring emergencies in Port projects
- Port Construction Services (PCS) close-out process for efficiency
- Review process to ensure reliable container volume information to be used for the new volume driven terminal leases
- Aviation Maintenance inventory, small tools & equipment, and policies regarding mobile device usage
- Continue to ensure adequate controls over Port expenses
- Controls over the Port's deferred compensation programs
- Controls over debt services