

AUDIT COMMITTEE MEETING

One Port Center, 11th Floor Board Room

September 6, 2017 10:30 a.m.

AGENDA

Open Session

A. Update from Office of the Inspector General – Dave Aubrey, Acting Inspector General, OIG

Executive Session

Delaware River Port Authority Audit Committee

Office of the Inspector General

September 6, 2017

David J. Aubrey, CIA, CFE
Acting Inspector General

Office of the Inspector General Report

1. Internal Audits - In Progress
2. Annual Financial Audit
3. Management Audit Update
4. 2018 OIG Proposed Operating Budget
5. Ethics Hotline Activity
6. Political Contribution Disclosure & Conflict of Interest Reviews

1. Internal Audits - In Progress

Audit of Employee Expense Reimbursement Process

- Evaluate the effectiveness and efficiency of the Employee Expense Reimbursement Process (including Tuition Reimbursement) and compliance with established policies, procedures, and guidelines.
- Status: *In Progress – DRAFT Report / Close-out Phase.*

Review of IT Assets

- Review of General IT Asset Protection and Security Controls.
- Status: *In Progress – DRAFT Report / Close-out Phase.*

Review of SAP Data Transfer

- Review of transfer process and controls in place / testing performed to assure accurate and complete transfer of data.
- Status: *In Progress – DRAFT Report / Close-out Phase.*

Review of SAP's VirtuStream Datacenter Service Provider SOC Reports

- Assessment of Independent Service Organization Control (SOC) report attesting to datacenter's control environment.
- Status: *In Progress – DRAFT Report / Close-out Phase.*

Review of Capital Projects (Schedule A Projects – less than \$200,000)

- Review of Project Management Process and Controls associated w/ Schedule A Capital Projects.
- Status: *In Progress – Field Work Phase.*

Audit of Revenue Audit – Revenue Aggregation

- Review of Revenue Audit Processes, Procedures, and Controls.
- Status: *In Progress – Preliminary / Planning Phase.*

2. 2016 Annual Financial Audit and Single Audit

- CAFR Report filed by CFO on June 30, 2017.
 - Forwarded to Bond Trustees / banks
- Single Audit has been electronically submitted.
 - Pending online certification by CFO.
 - Deadline for online certification September 30, 2017.

Contract Addendum exercising additional two year professional accounting / audit service option with Bowman and Co. was executed for Financial Audits of YE 2017 and YE 2018.

3. Management Audit Update

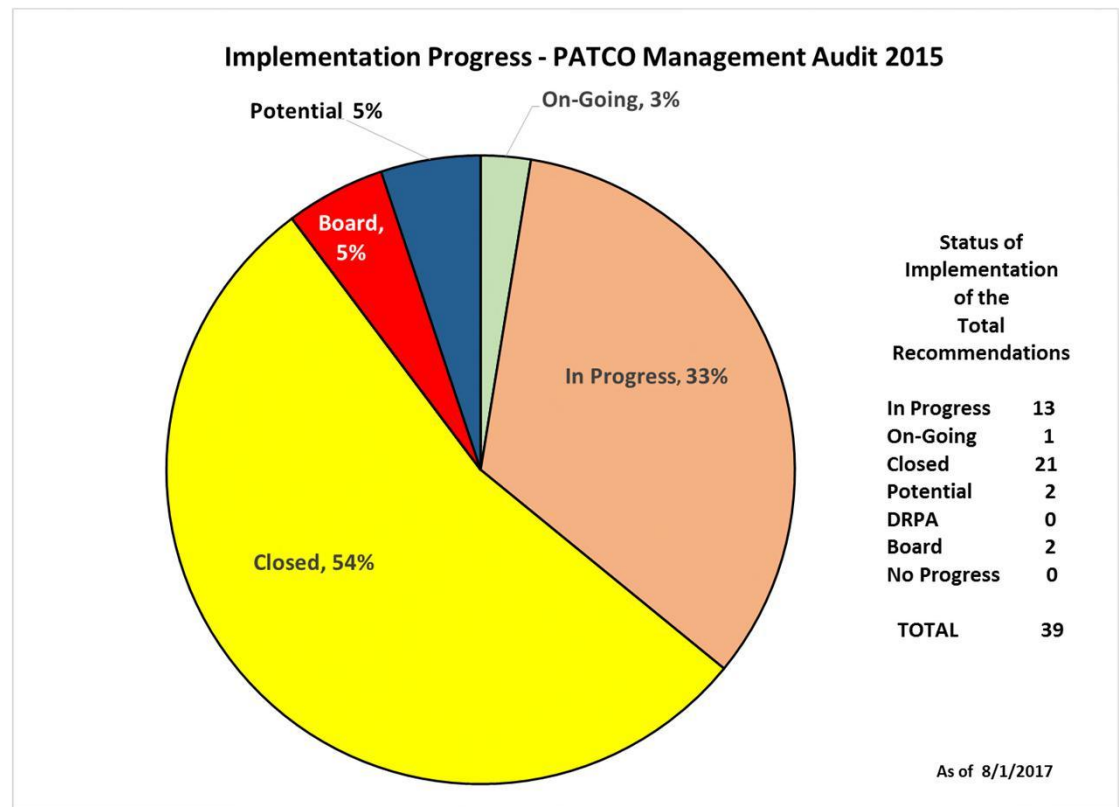
Bridge Operations Management Audit

- Final DRAFT Report
 - DRAFT Report was supplied and presented by The Azimuth Group to Bridge Operations management and others in Authority management.
 - Findings and recommendations were thoroughly vetted between Azimuth and Authority management.
 - Management feedback to draft report was provided and Management Responses to reported recommendations are being developed.
- Presentation of Final DRAFT Report at September 6, 2017 Audit Committee meeting
 - Final Report targeted for release by month end, pending review of the Final DRAFT Report and any final comments / questions from the Audit Committee (and participating Authority management).

3. Management Audit Update (Cont'd)

PATCO Management Audit – Recommendation Implementation Status

- 57% (21 recommendations “closed” and 1 recommendation “on-going”) have been addressed and / or implemented.
- 33% (13 recommendations “in progress”) are in progress of being implemented.
- 5% (2 recommendations “potential”) have potential to be implemented based on budgeted funding and strategic direction decisions.
- 0% (0 recommendations “no progress”) still requires assessment.



(Source: GM John Rink, PATCO)

4. OIG 2018 Proposed Operating Budget

Delaware River Port Authority
2017 Approved Operating Budget v. 2018 Proposed Operating Budget
Organization: Inspector General (20000041)

| Account Type | 2017 Approved Budget \$ | 2018 Proposed Budget | 2018 v. 2017 \$ Variance | 2018 v. 2017 % Variance |
|--------------------------------|----------------------------|-------------------------|-----------------------------|----------------------------|
| OTHER EXPENSES | | | | |
| Furniture & Fixtures | \$ 1,000.00 | \$ 1,000.00 | \$ - | 0% |
| Office Supplies | \$ 1,000.00 | \$ 1,000.00 | \$ - | 0% |
| Professional Services | \$ 3,000.00 | \$ 3,000.00 | \$ - | 0% |
| Membership & Subscriptions | \$ 11,304.00 | \$ 9,331.20 | \$ (1,972.80) | -17% |
| Travel, Meetings & Development | \$ 1,200.00 | \$ 1,200.00 | \$ - | 0% |
| Miscellaneous | \$ 1,000.00 | \$ 1,000.00 | \$ - | 0% |
| Contractual Services | \$ 191,665.00 | \$ 196,975.00 | \$ 5,310.00 | 3% |
| Total (Other Expenses) | \$ 210,169.00 | \$ 213,506.20 | \$ 3,337.20 | 2% |

5. Ethics Hotline Activity

Period: January 1, 2015 - August 31, 2017

| | # Concerns Received | | | # Concern Investigated | % Concerns Investigated | # Concern Pending | % Concerns Pending | # Investigation Completed | % Investigations Completed | # Investigation In Progress | % Investigations In Progress |
|---------------------|---------------------|-------|-------|------------------------|-------------------------|-------------------|--------------------|---------------------------|----------------------------|-----------------------------|------------------------------|
| | Ethics Hotline | Other | Total | | | | | | | | |
| Jun 2017 | 0 | 0 | 0 | 0 | - | 0 | - | 0 | - | 0 | - |
| Jul 2017 | 1 | 1 | 2 | 2 | 100% | 0 | 0% | 2 | 100% | 0 | 0% |
| Aug 2017 | 1 | 0 | 1 | 1 | 100% | 0 | - | 0 | - | 1 | 100% |
| Jun 2017 - Aug 2017 | 2 | 1 | 3 | 3 | 100% | 0 | 0% | 2 | 67% | 1 | 33% |
| Jan 2017 - May 2017 | 2 | 1 | 3 | 3 | 100% | 0 | 0% | 3 | 100% | 0 | 0% |
| Jan - Dec 2016 | 4 | 3 | 7 | 7 | 100% | 0 | 0% | 7 | 100% | 0 | 0% |
| Jan - Dec 2015 | 8 | 10 | 18 | 18 | 100% | 0 | 0% | 17 | 94% | 1 | 6% |
| Jan 2015 - May 2017 | 16 | 15 | 31 | 31 | 100% | 0 | 0% | 29 | 94% | 2 | 6% |

| Classification: | # Concerns | % | Outcome / Results: | # Concerns | % |
|--|------------|-------------|--|------------|-------------|
| 1) Accounting, Auditing, & Financial Reporting i.e. financial misconduct, internal controls, expense reporting, etc. | 0 | 0% | A) Concern / Allegation Unsubstantiated / Unfounded | 16 | 52% |
| 2) Business Integrity i.e. bribery, falsification of documents, fraud, violation of policy, COI, vendor / customer issues, etc. | 4 | 13% | B) Non-Ethical / Non-Fraudulent matter | 2 | 6% |
| 3) HR, Diversity, & Workplace Respect i.e. discrimination, harassment, compensation, general HR, HIPPA, etc. | 6 | 19% | C) Work Practice Issue; Corrective Actions Recommended | 0 | 0% |
| 4) Environment, Health, & Safety i.e. EPA compliance, assault, safety, substance abuse, public safety / police related issues, etc. | 7 | 23% | D) Referred to other Dept.; Warrant / Summons issued & Subject to Court adjudication | 5 | 16% |
| 5) Misuse, Misappropriation of Assets i.e. employee theft, time abuse | 9 | 29% | E) Allegation substantiated / corrective actions or disciplinary actions addressed | 6 | 19% |
| 6) Other i.e. work practice issue, other issues / allegations communicated that can not be categorized within the classifications 1 - 5. | 5 | 16% | F) Allegation substantiated / disciplinary actions pending | 0 | 0% |
| | | | G) Outcome / Results Pending | 2 | 6% |
| TOTAL | 31 | 100% | | 31 | 100% |

6. Political Contribution Disclosure & Conflict of Interest Reviews

Period: January 1, 2015 - August 31, 2017

| | Procurement Transactions | Political Contribution Disclosures | Conflict of Interest Reviews |
|----------------------------|-----------------------------|--|------------------------------------|
| Jun 2017 | 10 | 62 | 14 |
| Jul 2017 | 11 | 39 | 6 |
| Aug 2017 | 12 | 39 | 15 |
| Jun 2017 - Aug 2017 | 33 | 140 | 35 |
| Jan - May 2017 | 46 | 185 | 55 |
| Jan - Dec 2016 | 110 | 355 | 110 |
| Jan - Dec 2015 | 129 | 498 | 104 |
| Jan 2015 - May 2017 | 318 | 1178 | 304 |