



## BPC Policy No. 035

---

### SUBJECT

CHARTER OF THE OFFICE OF THE PORT AUDITOR

### PURPOSE

The purpose of the Office of the Port Auditor (OPA) is to strengthen the Port of San Diego's (District) ability to create, protect, and sustain value by providing the Board of Port Commissioners (Board), Audit Oversight Committee (AOC), and executive management with independent, risk-based, and objective assurance advice, insight, and foresight.

The OPA enhances the District's:

- Successful achievement of its objectives
- Governance, risk management, and control processes.
- Decision-making and oversight
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

The OPA is most effective when:

- Internal auditing is performed by competent professionals in conformance with The Institute of Internal Auditors' (IIA) Global Internal Audit Standards, which are set in the public interest.
- The OPA is independently positioned with direct accountability to the Board.
- Internal auditors are free from undue influence and committed to making objective assessments.

### Commitment to Adhering to the Global Internal Audit Standards

The OPA is committed to following the Institute of Internal Auditors' (IIA) International Professional Practices Framework (IPPF), which includes the Global Internal Audit Standards and Topical Requirements. To ensure compliance with these standards, the Port Auditor (Chief Audit Executive [CAE]) will periodically report to the Board, the Audit

Oversight Committee (AOC), and executive management. This adherence will be evaluated through a comprehensive quality assurance and improvement program.

In its operations, the OPA will also adhere to the IIA's Mandatory Guidance, which encompasses the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing, and the Definition of Internal Auditing. These guidelines establish the benchmark for professional internal audit practices and provide a framework for assessing the effectiveness and quality of the OPA's performance.

## **MANDATE**

The OPA is directly accountable to the Board under the provisions of the San Diego Unified Port District Act §72 and in alignment with the CAE's employment agreement. As a key partner in governance, the OPA supports the AOC in fulfilling the responsibilities outlined in Board Policy No. 776, Audit Oversight Committee Charter. Additionally, it plays a crucial role in assisting executive management in achieving the District's strategic objectives.

To fulfill its mandate, the OPA provides independent assurance and advisory services, focusing on enhancing the effectiveness and efficiency of District operations. These services include, but are not limited to, assessing internal controls, evaluating operational efficiencies, reviewing expenditures and revenue lease compliance, and ensuring adherence to the District's Codes, Policies, Standards, and Procedures. The details below outline the comprehensive responsibilities and scope of the OPA's mandate.

### **Authority**

The OPA's authority is created by its direct reporting relationship with the Board. Such authority allows unrestricted access to the Board and the AOC.

The CAE shall lead, plan, organize, and direct the activities of the OPA staff in relation to financial, performance, contract, and information technology audits, as well as consulting (advisory) activities. In the absence of the CAE, the Assistant CAE may temporarily assume the role and responsibilities of the CAE.

The Board authorizes the OPA to:

- Appoint and manage the Assistant Port Auditor (Assistant CAE), Deputy Port Auditors, and other essential audit staff. The CAE may also seek assistance from necessary District personnel or procure specialized services, both internally and externally, to effectively carry out its audit functions. Coordination with other District departments will be conducted through executive management.
- Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out internal audit responsibilities. Internal auditors are accountable for confidentiality and safeguarding records and information.

- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish objectives.

### **Changes to the Mandate of the OPA or Charter**

Circumstances may justify a follow-up discussion among the CAE, Board, or the AOC, and executive management regarding the OPA's mandate or other aspects of the OPA's Charter. Such circumstances may include, but are not limited to:

- A significant change in the Global Internal Audit Standards.
- A significant reorganization within the organization.
- Significant changes in the CAE, Board, or AOC, and/or executive management.
- Significant changes to the District's strategies, objectives, risk profile, or the environment in which the District operates.
- New laws or regulations that may affect the nature and/or scope of internal audit services.

## **CHIEF AUDIT EXECUTIVE ROLES AND RESPONSIBILITIES**

### **Ethics and Professionalism**

While the OPA will always be aligned with the District's values and the principles promulgated by the IIA and the Government Accountability Office, core values are foundational to the OPA in fulfilling its mission effectively. These values are defined as:

- Integrity – Doing the right thing and providing honest, objective assurance and advice even when doing so is uncomfortable or difficult, and avoiding an issue might be easier. The principles of trust, confidentiality, and accountability are intertwined in this value.
- Independence – Freedom from conditions that threaten the ability of the CAE and Audit staff to carry out audit responsibilities in an unbiased manner.
- Objectivity – Being free from conflicts of interest and maintaining an attitude of impartiality that allows the CAE and Audit staff to perform audit responsibilities based strictly on professional judgment.
- Competency – The CAE and Audit staff must continually improve their proficiency and the effectiveness and quality of their services, applying the knowledge, skills, and experience needed to perform audit services.
- Collaboration – The CAE and Audit staff collaborate with District Management in all engagements to achieve value-added results while maintaining independence and objectivity. The principles of effective communication, active listening, and teamwork are intertwined with this value.

- Professional Courage – The CAE and Audit staff must exhibit professional courage by communicating truthfully and taking appropriate action, even when confronted by dilemmas and difficult situations.

The CAE will also ensure that internal auditors:

- Conform with the Global Internal Audit Standards, including the principles of Ethics and Professionalism.
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the District and be able to recognize conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture in the District.
- Report District behavior that is inconsistent with the District's ethical expectations, as described in applicable codes, policies, and procedures.

## **Objectivity**

The CAE will ensure that the OPA remains free from all conditions that threaten the ability of the internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selections, scope, procedures, frequency, timing, and communication. If the CAE determines that objectivity may be impaired, in fact, or in appearance, the details of the impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively, such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others, in fact or appearance.

The OPA shall have no direct operational responsibility or authority over any of the activities it reviews and shall not implement any improvements in operations, procedures, controls, or engage in other activities that may impair its judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing any operational duties.
- Initiating or approving transactions external to the OPA.
- Directing the activities of any District employee not employed by the OPA, except to the extent that such employees have been appropriately assigned to auditing teams or to assist internal auditors.

Internal Auditors will:

- Disclose impairments of independence or objectivity, in fact, or appearance, to the CAE.

- Exhibit professional objectivity in gathering, evaluating, and communicating information.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

The CAE has the responsibility to:

- Ensure that BPC Policy No. 035 is reviewed at least annually to assess the OPA's alignment with the District's governance structure and conformance with IIA Global Internal Audit Standards. Any proposed updates shall be submitted to the AOC and the Board for approval.
- At least annually, develop a risk-based internal Audit Plan that considers the input of the Board, AOC, and executive management. The Audit Plan shall include all auditable activities necessary to provide reasonable assurance regarding (1) the integrity of the District's finances, (2) the District's compliance with legal and regulatory requirements, and (3) the effectiveness of the District's internal control system.
- Discuss the Audit Plan, internal audit budget, and resource plan with the AOC and executive management, submit it for review to the AOC, and forward it to the Board for approval.
- Amend the Audit Plan throughout the year based on further risk analysis and discussions with stakeholders (e.g., the Board, District Management, etc.) Communicate with the Board, AOC, and executive management if there are significant interim changes to the Audit Plan.
- Ensure internal audit engagements are performed, documented, and communicated in accordance with Global Internal Audit Standards.
- Follow up on audit engagement findings and confirm the implementation of recommendations and action plans. Communicate the results of internal audit services to the Board, AOC, and executive management quarterly and for each engagement as appropriate.
- Ensure that the OPA collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the Global Internal Audit Standards and fulfill the requirements for the OPA.
- Identify and consider trends and emerging issues that could impact the District and communicate to the Board, AOC, and executive management as appropriate. In cases where fraud, illegal acts, or indications of such acts are discovered, the CAE must report these issues to the AOC, the Chief Executive Officer/President, and the General Counsel. If any of these individuals are implicated or suspected of involvement, the CAE must escalate the matter to the full Board in accordance with the Ralph M. Brown Act.
- Ensure adherence to the District's relevant policies and procedures unless such policies conflict with this policy for the OPA or the Global Internal Audit Standards.

Any such conflicts will be resolved, documented, and communicated to the Board, AOC, and executive management.

- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If the CAE cannot achieve an appropriate level of coordination, the issue must be communicated to executive management and, if necessary, escalated to the Board.
- Recommend to the AOC, for referral to the Board, the external certified public accounting firm that will conduct annual certified financial statement audits as specified by the San Diego Unified Port District Act. The CAE, on behalf of the Board, shall coordinate annual external financial audits for the District with the independent certified public accounting firm approved by the Board. The external certified public accounting firm will conclude all work at the end of the contracted term. A Request for Proposal will be issued prior to the completion of the contracted term for external audit services.
- Support the AOC as directed by the Board.
- Administer the District's Board Policy No. 690, Fraud, Waste, and Abuse Prevention and Hotline, available to District employees and the public.

### **Scope and Types of Internal Audit Activities**

The scope of internal audit services encompasses all District activities, including operations, assets, and personnel. It also encompasses, but is not limited to, objective examinations of evidence to provide independent assurance and advisory services to the Board, AOC, and management on the adequacy and effectiveness of governance, risk management, and control processes for the District.

The nature and scope of advisory services may be agreed upon with executive management, provided the internal audit function does not assume management responsibilities. During advisory engagements, opportunities for improving the efficiency of governance, risk management, and control processes may be identified. These opportunities will be communicated to the appropriate level of management.

Internal audit engagements may include evaluating whether:

- Risks relating to the achievement of the District's strategic objectives are appropriately identified and managed.
- The actions of the District's officers, directors, employees, contractors, or other relevant parties comply with the District's policies, procedures, codes, applicable laws, regulations, and governance standards.
- The results of operations and programs are consistent with established goals and objectives.

- Operations or programs are being carried out effectively, efficiently, ethically, and equitably.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the District.
- The integrity of information and the means used to identify, measure, analyze, classify, and report such information is reliable.
- Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.

RESOLUTION NUMBER AND DATE: 2026-005, dated January 14, 2026 (Supersedes BPC Policy No. 035, Resolution No. 2023-068, dated August 8, 2023; Resolution No. 2021-116, dated October 12, 2021; Resolution No. 2020-004, dated January 9, 2020; Resolution No. 2017-141, dated October 10, 2017; Resolution No. 2017-028, dated March 14, 2017; Resolution No. 2016-45, dated April 14, 2016; BPC Policy No. 105 Resolution 2000-109, dated June 13, 2000; Resolution 81-328, dated October 6, 1981; and Resolution 68-298, dated December 3, 1968)