



February 5, 2013

Audit Committee
Port of Seattle

Re: Required Annual Communication

In accordance with the International Professional Practices Framework (IPPF) promulgated by the Institute of Internal Auditors and the Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States, the Internal Audit Director must ensure the following information is communicated annually to the Audit Committee:

Internal Audit Charter (IPPF 1000)

The activity of the Internal Audit Department is formally defined in the Internal Audit Charter. The charter is reviewed annually by the Audit Committee, the Chief Executive Officer, and the Internal Audit Director. The Port Commission provides final approval of the charter. The department charter was reviewed and approved by the Port Commission on December 11, 2012 in an open public meeting.

Confirmation of Organizational Independence (IPPF 1110)

At the Port of Seattle, the Internal Audit Department continues to be accorded organizational independence by reporting functionally to the Audit Committee and administratively to the Chief Executive Officer.

Quality Assurance and Improvement Program (IPPF 1320 and GAGAS 3.95)

The Internal Audit Department has implemented adequate quality assurance and improvement program (QAIP) that covers all aspects of internal audit activity. This was evidenced by the Department passing the external peer review in 2012.

The results of our own internal monitoring process also confirm the Department is in compliance with the auditing standards. As a team, we have agreed to further improve in the following areas provided herein as Attachment A.

Sincerely,

A handwritten signature in black ink that reads "Kirangi".

Joyce Kirangi, CPA, CGMA
Director, Internal Audit Department

Copies: Tay Yoshitani, Chief Executive Officer

ATTACHMENT A

Promoting Continuous Improvement

1. In order to make our audits more efficient, if no **significant residual risks** are identified in an audit assignment, after consulting with the Audit Manager and the Director, the auditor will write a memorandum to that effect and close the audit. This approach will allow us more time and opportunity to audit other areas that have not been audited in the past.
2. We will continuously strive to move our audits toward performance audit as opposed to compliance testing.
3. In consideration of the cost of audits in relation to potential benefits achieved, we will constantly re-evaluate the potential impact or consequences of the condition found (effect) before pursuing further audit tests or writing findings.