

RESOLUTION NO. 3613

A RESOLUTION of the Port Commission of the Port of Seattle repealing the current Audit Committee Charter and replacing it with a new Charter as approved by the Audit Committee.

WHEREAS, the Audit Committee is a Committee established by the Port of Seattle Commission to represent the Commission and review and oversee matters relating to the Port's auditing process and procedures; and

WHEREAS, the Audit Committee Charter was created to describe the official role, responsibilities, composition, and procedural rules governing the workings of the Audit Committee; and

WHEREAS, the Audit Committee has significantly expanded the scope and quantity of its work and has strengthened its organizational capacity; and

WHEREAS, the Audit Committee now wishes to repeal its current Charter and replace it with a revised Charter that more accurately reflects its current policies and practices; and

WHEREAS, the Audit Committee requires Commission approval to repeal and replace its Charter; and

WHEREAS, the new Audit Committee Charter is set forth in Exhibit "A" to this Resolution;

NOW, THEREFORE, BE IT RESOLVED by the Port Commission of the Port of Seattle that the current Charter is repealed, to be replaced in its entirety by the attached Audit Committee Charter.

ADOPTED by the Port Commission of the Port of Seattle at a special meeting thereof, held this _____ day of _____, 2009, and duly authenticated in open session by the signatures of the Commissioners voting in favor thereof and the seal of the Commission.

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PORT OF SEATTLE AUDIT COMMITTEE CHARTER

Purpose and Authority

The Audit Committee is a standing committee created by the Seattle Port Commission. Its general purpose is to represent the Commission and have review and oversight authority on matters relating to the Port of Seattle auditing process and procedures. It will assist the Port of Seattle Commission in fulfilling its oversight responsibilities for:

- The integrity of the Port's financial statements,
- The effectiveness of the Port's internal control system over financial reporting, compliance and operations,
- The periodic performance audits to be conducted on Port of Seattle operations, programs, activities and business processes,
- The independent auditor's qualifications and independence, and
- The performance of the Port's internal audit function and independent auditors.

In carrying out these responsibilities, the Audit Committee shall determine that any audits, which are required to be conducted under the United States Government Accountability Office's *Government Auditing Standards*, are conducted in accordance with those standards. The Audit Committee shall provide opportunities for auditors to discharge their responsibilities for communication with those charged with governance as required under those standards.

The Audit Committee is empowered to seek any information it requires from Port of Seattle employees on departmental audit matters, all of whom are directed to cooperate with the Committee's requests. The Committee shall keep the CEO apprised of all such requests.

If the committee determines that in order to meet its responsibilities it requires the independent services of an outside advisor or consultant having expertise in financial reporting, auditing and internal controls, it may propose the retention of such advisor or consultant to the Commission for approval.

Duties

The Audit Committee will

- Review and recommend to the Commission, based on an open competitive process, the independent auditors to be selected to audit the financial statements and the federal grant and Passenger Facilities Charge programs of the Port of Seattle and other audit services.

- Review with the Internal Audit Manager the plans, activities, staffing, and organizational structure of the internal audit function, including coordination of audit effort with the external auditors. Audit Committee responsibilities include:
 - Review the Internal Audit Manager’s annual audit plan. The annual plan will include which departments, vendors, agreements, leases, and other areas to be audited by the Internal Audit Manager and audit staff.
 - Review the findings and recommendations of internal audits conducted of these areas at the Port of Seattle, in regards to financial compliance, internal controls, performance and efficiency.
 - Monitor the progress of the internal audit function against its long-term goals and objectives.
 - Elicit any recommendations of the improvement of such internal controls or particular areas where new or more detailed controls or procedures are desirable. Schedule and hear reviews of these improvements presented by Port of Seattle staff as deemed necessary.

- Review with the Port’s External Auditors:
 - The independent auditors’ annual audit annual of the Port’s financial statements, as well as related notes and management discussion of the findings.
 - The management letter and the schedule of unadjusted differences.
 - The independent auditors’ judgments about the quality of the Port’s accounting principles as applied in its financial reporting.
 - The independent auditors’ single audit of the federal grant awards administered by the Port.

- Review with performance auditors any performance audits conducted on Port of Seattle operations, programs, activities and business processes. In carrying out these responsibilities, the Audit Committee shall:
 - Encourage discussion between management, the Commission and other stakeholders in order to identify future potential areas of performance audit focus.
 - Encourage and provide an opportunity for any planned audits to include an entrance and exit conference with the Audit Committee.
 - Provide recommendations to the Commission regarding specific audit areas for consideration, including suggested audit objectives, scope and evaluation criteria.
 - If necessary, and only upon Commission approval, solicit proposals from independent auditing firms based on the approved performance audit objectives, scope and criteria, and recommend an independent auditing firm for appointment by the Commission if, after consulting with the

Internal Audit Manager, it is determined that outside resources are necessary.

- Report the results of such audits to the Commission when completed.
- Review with the Washington State Auditor's Office (SAO) any financial, accountability or performance audits conducted on the Port of Seattle. In carrying out these responsibilities, the Audit Committee shall:
 - Encourage and provide an opportunity for any SAO audits to include regular ongoing briefings with the Audit Committee.
 - Review findings and recommendations including management's response.
 - Schedule and hear reviews of the actions taken in response to recommended improvements presented by Port of Seattle staff as deemed necessary.
- Discuss with management the Port's major policies with respect to risk assessment and risk management.
- Provide quarterly reports to the Commission that describe how the Audit Committee has discharged its duties and met its responsibilities.

Internal Responsibilities

The Audit Committee will:

- Establish long-term goals and objectives for the Audit Committee and monitor progress in achieving those goals and objectives.
- Establish annual goals and objectives for the Audit Committee that are consistent with its long-term goals and objectives and monitor progress in achieving those goals and objectives.
- Review and assess the adequacy of the committee charter annually, requesting Commission approval for proposed changes.

Composition

The Audit Committee will consist of two (2) members of the Port of Seattle Commission and one (1) public member approved by the Commission for a term of three (3) years. Port Commission members of the audit committee, as well as the committee chair, will be selected by the Commission President at the beginning of each calendar year.

The public member will be recommended by the Audit Committee for appointment and confirmation by the Commission. The public member may be removed during his or her term by the Commission President.

Each committee member will be independent of Port management and any external audit firm. The public member must have the following qualifications:

- An understanding of generally accepted accounting principles (GAAP) and financial statements,
- Experience in the preparation or auditing of the financial statements of comparable public entities,
- Experience in the application of GAAP in regards to estimates, accruals and reserves,
- Experience with internal controls, and
- An understanding of how the Audit Committee functions.

Voting members of the Audit Committee will consist of the two Commission members. The public member will serve as an advisor to the Audit Committee and is not considered a voting member of the committee for the purposes of quorum determination or voting on any official business of the committee. In the event of a tie vote on any matter before the Audit Committee, the matter will automatically be referred to the full Port of Seattle Commission for review and approval by vote.

Meetings

The committee will meet at least four times a year, with authority to convene additional meetings, as circumstances require.

All committee meeting are open public meetings.

A quorum of the committee is required to conduct official committee business. A quorum is defined as a majority of voting members.

The committee will invite members of management, auditors or others to attend meetings and provide pertinent information, as necessary.

Meeting agendas and appropriate briefing materials will be prepared and provided in advance to all Audit Committee members. Minutes will be prepared and approved by the Audit Committee, and then circulated to the full Port of Seattle Commission. Commission members will receive an electronic copy of Audit Committee agendas.