

**PORT OF SEATTLE**  
**MEMORANDUM**

**DATE:** July 28, 2011  
**TO:** Audit Committee  
**FROM:** Tom Barnard, Audit Committee Staff  
**SUBJECT:** Action steps for the Audit Committee

Following the July 9, 2011, Audit Committee meeting, there was discussion of concrete changes the Audit Committee would like to approve to improve the ability of the Audit Committee to carry out its function. This memo is intended to follow up those suggestions by formally approving these measures.

- The Audit Committee would like an outside firm to assess the work of Internal Audit Department, and to formally engage in the process to determine that firm. The engagement would include three elements: 1) The expert member of the Audit Committee would be part of the team that develops the requirements and scoring criteria for an RFP that would be developed for seeking the outside firm that would carry out such work; 2) The Audit Committee would be briefed in public session on the scoring system before the RFP was sent out; and 3) The Audit Committee would be briefed on both the winning applicant and the other respondents to the RFP. Steps 2 and 3 would follow the same basic pattern of review and approval as was carried out in choosing the External Financial Auditing firm.
- The Audit Committee would like to recommend a re-organization of the Internal Audit Department by transferring the responsibility for the Concession and Lease Audits compliance work from the Audit Department to other management sections. The Internal Audit Department would still periodically review the control systems established for ensuring compliance, but that the compliance function itself would be performed by other management entities. This could be accomplished by transferring existing staff in the Internal Audit Department into that department; but the overall object of this re-organization is to free up the Internal Audit Department to perform other functions, such as Operational Audits or others that employ internal performance metrics.
- The Audit Committee Charter will be brought into compliance with IIA and governmental auditing standards, unless precluded by the unique nature of the organization, as decided by the Audit Committee. This would be accomplished by reviewing the current relevant standards listed by both the Institute of Internal Auditors and the Government Auditing Standards (the Yellow Book), so as to get both the requirements of public and private entities, as the Port has organizational features of both.