

ORGANIZATION AND AUTHORITY

The Internal Audit Department (IAD) reports functionally to the Audit Committee of the Port Commission and administratively to the Chief Executive Officer, to permit independent and unbiased judgments essential to the proper conduct of audits.

The authority of the Internal Audit Department is derived from the Audit Committee Charter.

MISSION AND SCOPE OF WORK

The Port's Internal Audit Department conducts operational/performance and compliance audits, in accordance with *Generally Accepted Government Auditing Standards*, promulgated by the Comptroller General of the United States. Government auditing is essential in providing accountability to legislators, oversight bodies, those charged with governance and the public. Audits provide an independent objective, nonpartisan assessment of the stewardship, performance or cost of government policies, programs or operations.

The mission of the IAD is to provide an independent, objective, nonpartisan assessment of the stewardship, performance or cost of government policies, programs or operations, along with nonaudit services, designed to add value and improve the Port's operations/performance. The IAD provides insight that helps the Port accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The scope of work of the IAD is to determine whether the Port's network of risk management, control, accountability and governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure:

- Risks are appropriately identified and managed
- Interaction with the various governance groups occurs as needed
- Significant financial, managerial and operating information is accurate, reliable and timely
- Organizational performance expectations are achieved
- Employees' actions are in compliance with policies, standards, procedures and applicable laws and regulations
- Resources are acquired economically, used efficiently and adequately protected
- Programs, plans and objectives are achieved
- Quality and continuous improvement are fostered in the Port's control process
- Significant legislative or regulatory issues impacting the organization are recognized timely and addressed properly

INDEPENDENCE

To provide for the independence of the Internal Audit Department, its staff reports to the Internal Audit Director. The Director reports administratively to the Chief Executive Officer and functionally to the

Audit Committee. To further ensure independence, the Director and staff of the Internal Audit Department are not authorized to:

- Perform any operational duties for the Port
- Initiate or approve accounting transactions external to the Internal Audit Department
- Direct the activities of any Port employee not employed by the Internal Audit Department, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors

ACCOUNTABILITY/ RESPONSIBILITY

The Internal Audit Director must:

- Report significant issues related to the processes for controlling the activities of the Port and its tenants, customers and vendors, including potential improvements to those processes, and provide information concerning such issues through resolution
- Provide information periodically on the status and results of the annual audit plan and the sufficiency of department resources
- Coordinate and interact with other control and monitoring functions (e.g., risk management, compliance, security, legal, ethics, environmental, external audit)

The Director and staff of the Internal Audit Department have responsibility to:

- Develop a flexible annual audit plan using appropriate risk-based methodology, including any risks or control concerns identified by management, and submit that plan to the Audit Committee and to the CEO for review and approval
- Execute the annual audit plan, as approved by the Audit Committee and the CEO
- Maintain a professional audit staff with sufficient knowledge, skills, experience and professional certifications to meet the requirements of this Charter
- Establish a quality control and assurance program by which the Director monitors the operation of internal auditing activities
- Obtain an external peer review at least once every three years
- Perform nonaudit services, beyond internal auditing's independent, objective, nonpartisan assessments, in order to add value and to assist Port management in meeting its objectives:
 - Facilitate process improvements
 - Assist with process design
 - Provide training
 - Evaluate and assess significant functions and new or changing services, processes, operations and control processes coincident with their development, implementation and/or expansion
- Issue periodic reports to the Audit Committee and management summarizing results of audit activities
- Inform the Audit Committee of emerging trends and best practices in internal auditing
- Provide a list of significant measurement goals and results of the IAD to the Audit Committee (e.g., the status of the work plan accomplished and budget hours used)

- Assist in the investigation of suspected fraudulent activities within the organization and notify management of the results
- Consider the scope of work of the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to the organization at a reasonable overall cost

ACCESS TO RECORDS AND STAFF

The Director and staff of the Internal Audit Department are authorized to:

- Have unrestricted access to all functions, records, property, staff and to the Audit Committee
- Allocate resources, set frequencies, select subjects, determine scope of work and apply the appropriate methodologies to accomplish audit objectives
- Obtain the necessary assistance of personnel in business units of the Port where they perform audits, as well as other specialized services from within or outside the Port

STANDARDS OF AUDIT PRACTICE

The Internal Audit Department must follow the audit guidance in the *Government Auditing Standards (Yellow Book)* of the Government Accountability Office. The Internal Audit Department will adopt best practices, some of which will be from the *International Standards for the Professional Practice of Internal Auditing (Red Book)* of The Institute of Internal Auditors.

Director, Internal Audit

Date

Chief Executive Officer

Date

Audit Committee Chair

Date